**Myconic Capital Corp.**
**(formerly Auralite Investments Inc.)**

Financial Statements

Years Ended July 31, 2020 and 2019

Presented in Canadian dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Myconic Capital Corp. (formerly Auralite Investments Inc.)

**Opinion**
We have audited the financial statements of Myconic Capital Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2020 and 2019, and the statements of loss and comprehensive 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 (collectively the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**
We draw attention to Note 1 to the financial statements, which indicates that there are events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC
November 30, 2020

**Myconic Capital Corp. (formerly Auralite Investments Inc.)**
Statements of Financial Position
(Expressed in Canadian dollars)

| As at, | Note | | July 31, 2020 | | July 31, 2019 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | 2,517,064 | $ | 3,189,070 |
| Restricted cash | 6 | | 57,454 | | 115,000 |
| Prepaid expense | | | 55,014 | | 30,775 |
| Investments | 8 | | 2,244,220 | | 397,000 |
| | | | 4,873,752 | | 3,731,845 |
| Right-of-use asset | 7 | | 45,341 | | - |
| **Total assets** | | $ | 4,919,093 | $ | 3,731,845 |
| **Liabilities and shareholders' equity** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 11 | $ | 30,758 | $ | 17,055 |
| Short-term lease liabilities | 7 | | 31,166 | | - |
| | | | 61,924 | | 17,055 |
| **Non-current liabilities** | | | | | |
| Long-term lease liabilities | 7 | | 15,505 | | - |
| **Total liabilities** | | | 77,429 | | 17,055 |
| **Shareholders' equity** | | | | | |
| Share capital | 9 | | 10,525,899 | | 10,525,899 |
| Share payment reserve | 9 | | 7,443 | | 11,241 |
| Deficit | | | (5,691,678) | | (6,822,350) |
| Total shareholders' equity | | | 4,841,664 | | 3,714,790 |
| **Total liabilities and shareholders' equity** | | $ | 4,919,093 | $ | 3,731,845 |

Nature and Continuance of Operations (Note 1)

Subsequent Events (Note 12)

Approved on behalf of the Board:

*"Robert Meister"*
Robert Meister, Director

*"James Henning"*
James Henning, Director

*The accompanying notes are an integral part of these financial statements*

# Myconic Capital Corp. (formerly Auralite Investments Inc.)

Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

| | Note | Year Ended July 31, 2020 | Year Ended July 31, 2019 |
|---|---|---|---|
| **Net investment gain (loss)** | | | |
| Interest income | | $ 27,955 | $ 20,116 |
| Unrealized gain (loss) on investments | 8 | 888,160 | (5,993,476) |
| Realized gain on sale of investments | 8 | 859,043 | - |
| | | 1,775,158 | (5,973,360) |
| **Expenses** | | | |
| General and administrative | | 71,808 | 135,740 |
| Consulting | 11 | 324,674 | 218,091 |
| Transfer agent and filing fees | | 75,005 | 155,380 |
| Depreciation | 7 | 30,228 | - |
| Marketing expense | | 7,813 | - |
| Interest expense | 7 | 8,902 | - |
| Professional fees | | 99,106 | 95,603 |
| Travel | | 28,805 | - |
| | | (646,342) | (604,814) |
| **Other** | | | |
| Foreign exchange | | (1,942) | (755) |
| **Net income (loss) and comprehensive income (loss)** | | $ 1,126,874 | $ (6,578,929) |
| **Weighted average number of outstanding shares** | | 28,919,700 | 28,919,700 |
| **Basic and diluted income (loss) per share** | | $0.04 | $(0.23) |

*The accompanying notes are an integral part of these financial statements*

**Myconic Capital Corp. (formerly Auralite Investments Inc.)**
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

| | | Share Capital | | | | |
|---|---|---|---|---|---|---|
| | Note | Number | Amount | Share Payment Reserve | Deficit | Total Shareholders' Equity |
| Balance, July 31, 2018 | | 10,028,500 | $ 2,347,309 | $ 48,957 | $ (317,074) | $ 2,079,192 |
| Shares issued for cash, net of issuance costs | 9 | 2,240,000 | 3,500,000 | - | - | 3,500,000 |
| Shares issued for convertible debenture | 8,9 | 16,800,000 | 4,740,476 | - | - | 4,740,476 |
| Shares issued on exercise of warrants | 9 | 31,200 | 11,914 | (4,113) | - | 7,801 |
| Expiration of stock options | 9 | - | - | (33,603) | 33,603 | - |
| Repurchase of shares | 9 | (180,000) | (73,800) | - | 40,050 | (33,750) |
| Net and comprehensive loss for the year | | - | - | - | (6,578,929) | (6,578,929) |
| Balance, July 31, 2019 | | 28,919,700 | 10,525,899 | 11,241 | (6,822,350) | 3,714,790 |
| Expiration of warrants | 9 | - | - | (3,798) | 3,798 | - |
| Net and comprehensive income for the year | | - | - | - | 1,126,874 | 1,126,874 |
| Balance, July 31, 2020 | | 28,919,700 | $ 10,525,899 | $ 7,443 | $ (5,691,678) | $ 4,841,664 |

*The accompanying notes are an integral part of these financial statements*

**Myconic Capital Corp. (formerly Auralite Investments Inc.)**
Statements of Cash Flows
(Expressed in Canadian dollars)

| | **Year Ended July 31, 2020** | Year Ended July 31, 2019 |
|---|---|---|
| Cash provided by (used in): | | |
| **Operating activities** | | |
| Net income (loss) for the year | $ 1,126,874 | $ (6,578,929) |
| Adjustment for non-cash working capital item: | | |
| Foreign exchange loss | 1,942 | - |
| Interest expense | 8,902 | - |
| Depreciation of right-of-use assets | 30,228 | - |
| Unrealized gain on marketable securities | (888,160) | - |
| Realized gain on sale of marketable securities | (859,043) | 5,993,476 |
| Write-off of accounts payable | (113) | - |
| Changes in non-cash working capital item: | | |
| Accounts payable and accrued liabilities | 13,817 | (21,608) |
| Prepaid expense | (24,239) | (30,775) |
| Cash used in operating activities | (589,792) | (637,836) |
| **Investing activities** | | |
| Proceeds from sale of marketable securities | 998,040 | - |
| Purchase of investments | (1,100,000) | (1,650,000) |
| Purchase of term deposit | - | (115,000) |
| Proceeds from redemption of term deposit | 57,546 | - |
| Cash used in investing activities | (44,414) | (1,765,000) |
| **Financing activities** | | |
| Repayment of lease liability | (37,800) | - |
| Proceeds from share issuance, net of issuance cost | - | 3,500,000 |
| Proceeds from exercise of warrants | - | 7,801 |
| Common share repurchase for cancellation | - | (33,750) |
| Cash provided by (used in) financing activities | (37,800) | 3,474,051 |
| Change in cash | (672,006) | 1,071,215 |
| Cash, beginning | 3,189,070 | 2,117,855 |
| Cash, ending | $ 2,517,064 | $ 3,189,070 |

*The accompanying notes are an integral part of these financial statements*

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Myconic Capital Corp. (the "Company" or "Myconic") (formerly Auralite Investments Inc.), is a publicly listed company incorporated in the Province of British Columbia. The Company's shares are listed on the Canadian Stock Exchange ("CSE") and its head office is located at #340-1917 West 4th Avenue, Vancouver, British Columbia, V6J 1M7. On August 6, 2020, the Company changed its name from Auralite Investments Inc. to Myconic Capital Corp. and completed a consolidation of its issued and outstanding common shares on the basis of ten pre-consolidation shares for one post-share (the "Consolidation"). These financial statements have been retroactively restated for the Consolidation. The Company's common shares were voluntarily delisted from the TSX Venture Exchange ("TSX-V") at the close of market on November 12, 2020, and commenced trading on the CSE on November 13, 2020 under the symbol CSE: MEDI.

As an investment issuer, the Company measures all investments at fair value, irrespective of its percentage ownership of the investment, with gains or losses recognized in profit and loss (Note 8).

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has working capital at July 31, 2020 of $4,811,828 (2019 – $3,714,790) and a deficit of $5,691,678 (2019 - $6,822,350). The Company's continuation as a going concern is dependent upon raising the necessary funds through the selling of investments and issuance of equity or debt sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management believes its working capital will be sufficient to support operations for the next twelve months. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

## 2. SIGNIFICANT ACCOUNTING POLICIES

*(a) Statement of compliance*

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB) and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies as set out below were consistently applied to all the periods presented unless otherwise noted.

The Board of Directors approved these financials statements on November 30, 2020.

*(b) Basis of presentation*

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

*(c) Use of estimates and judgments*

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the recognition of deferred income tax assets. Actual results may differ from these estimates. Significant areas requiring the use of judgment in applying the Company's accounting policies include the assessment of the Company's ability to continue as a going concern and whether there

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

are events or conditions that may give rise to significant uncertainty.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

(i) Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

(ii) Share-based payments

The Company uses the Black-Scholes Option Pricing Model to fair value options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price of the Company's shares at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates which involve considerable judgment. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based compensation expense.

(iii) Investment entity

Management has determined that the Company qualifies for the exemption from consolidation given that the Company has the following typical characteristics of an investment entity:

(a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
(b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

(iv) Incremental borrowing rate

Where discounting is required, the Company applies the borrowing rate of 14% which is based on management's estimates using data from comparable companies with similar operation and situated in similar economic environment of the Canadian stock market.

*(d) Foreign currency translation*

The Company's functional and presentation currency is the Canadian dollar. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Gains and losses are included in results of operations.

*(e) Financial instruments*

The following table shows the classification of financial instruments under IFRS 9:

| Financial asset/liability | Classification |
|---|---|
| Cash and restricted cash | FVTPL |
| Investments | FVTPL |
| Accounts payable | Amortized cost |

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(e) Financial instruments (continued)*

*Initial recognition and measurement – financial assets*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

*Subsequent measurement – financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

*Subsequent measurement – financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of comprehensive loss.

*Subsequent measurement – financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. Elected investments in equity instruments at FVOCI are subsequently measured at fair value, with gains and losses recognized in other comprehensive income (loss) and are never reclassified to profit or loss.

*Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVOCI remain within accumulated other comprehensive income (loss).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(e) Financial instruments (continued)*

*Initial recognition and measurement – financial liabilities*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

*Subsequent measurement – financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

*Subsequent measurement – financial liabilities at FVPL*

After initial recognition, financial liabilities at FVPL are subsequently measured at the end of each reporting period at fair value. Realized and unrealized gains and losses arising from the changes in fair value are included in statement of comprehensive loss in the period in which they arise.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of comprehensive loss.

*(f) Share Capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

*(g) Loss per share*

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

*(h) Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(Expressed in Canadian dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(i) Accounting change*

IFRS 16 Leases:

The Company adopted IFRS on August 1, 2019 on a modified retrospective approach. This new standard replaces IAS 17 Leases and the related interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. There has been no adjustment to these financial statements as a result of the transition to IFRS 16 as of August 1, 2019. Comparative figures for fiscal year 2019 have not been restated as a result of applying the modified retrospective approach.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate determined by management. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in the statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

**3. FINANCIAL INSTRUMENTS**

IFRS 13, *Fair Value Measurement,* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is an analysis of the Company's financial assets measured at fair value as at July 31, 2020 and 2019:

| | As at July 31, 2020 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Cash and equivalents | $ 2,517,064 | $ - | $ - |
| Restricted cash | 57,454 | - | - |
| Investments | 1,122,568 | 964,971 | 156,681 |
| | $ 3,697,086 | $ 964,971 | $ 156,681 |

(Expressed in Canadian dollars)

## 3. FINANCIAL INSTRUMENTS (CONTINUED)

| | As at July 31, 2019 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Cash and equivalents | $ 3,189,070 | $ - | $ - |
| Restricted cash | 115,000 | - | - |
| Investments | 150,000 | - | 247,000 |
| | $ 3,454,070 | $ - | $ 247,000 |

## 4. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its restricted cash as these instruments have maturities of one year or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in the market interest rates would have an impact on the Company's net income of $575.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company assesses its liquidity risk by forecasting cash flows required by operations and anticipated financing activities. The Company is exposed to liquidity risk.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2020, the Company had a cash balance of $2,517,064 (2019 - $3,189,070) to settle current liabilities of $61,924 (2019 - $17,055).

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(d) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company's exposure to credit risk is limited to its cash balances and note receivable (included in investments). The risk exposure is limited to the carrying amounts at the statement of financial position dates.

The Company's cash balances are held in accounts at a major Canadian financial institution. The credit risk associated with cash is mitigated, as cash is held at major institutions with high credit ratings.

The Company's investment in note receivable is held with a private company. The credit risk associated with the note receivable is minimized by shares of the borrower as collateral should they default.

**5. CAPITAL MANAGEMENT**

The investment objective of the Company is to achieve long-term capital from investments in public and private companies. The Company considers its capital structure to include all components of shareholders' equity. The Company's objective to managing capital is to ensure it has the ability to continue to make new investments and to ensure there is sufficient capital to minimize liquidity risk and to continue as a going concern. Management reviews its capital management approach on an ongoing basis and believes its approach, given the relative size of the Company, is reasonable.

Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be acceptable to the Company.

The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's share capital is not subject to any externally imposed capital requirements and the Company did not change its approach to capital management during the year ended July 31, 2020.

**6. RESTRICTED CASH**

Restricted cash balance of $57,454 (2019 - $115,000) as of July 31, 2020 relates to the Company's credit card with a financial institution that requires funds to be held in term deposit in the form of guaranteed investment certificate (GIC). During the year ended July 31, 2020, the Company redeemed $57,000 of the GIC.

(Expressed in Canadian dollars)

## 7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company adopted IFRS 16 – Leases on August 1, 2019. The Company's adoption of the new standard resulted in recognition of a right-of-use asset and lease liability of $75,569. As at July 31, 2020 the Company had a right-of-use asset of $45,341 and lease liability of $46,671. The depreciation expense of the right-of-use asset during the year ended July 31, 2020 was $30,228.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are calculated using a rate of 14%, which is the Company's incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the year ended July 31, 2020:

| | Lease liability continuity |
|---|---|
| Balance, July 31, 2019 | **$ -** |
| Lease additions – August 1, 2019 | 75,569 |
| Lease payments | (37,800) |
| Interest expense on lease liabilities | 8,902 |
| Balance, July 31, 2020 | $ 46,671 |

Future payments for the facility are as follows:

| | Future payments |
|---|---|
| July 31, 2021 | $ 36,000 |
| July 31, 2022 | 18,000 |
| Total | $ 54,000 |

The following is a continuity schedule of right-of-use asset for the year ended July 31, 2020:

| | Right-of-use asset continuity |
|---|---|
| Balance, July 31, 2019 | **$ -** |
| Lease additions – August 1, 2019 | 75,569 |
| Depreciation | (30,228) |
| Balance, July 31, 2020 | $ 45,341 |

## 8. INVESTMENTS

At July 31, 2020 the Company's investment portfolio consisted of one privately held investment and two publicly held investments with a total fair value of $2,087,539 and a Note receivable with a fair value of $156,681.

The balance in investments as at July 31, 2020 comprises the following:

| | Akiva – units | EVVO – common shares | Champignon – common shares | Gold Lion – common shares | Gold Lion – warrants | EVVO - Note | Total |
|---|---|---|---|---|---|---|---|
| Balance July 31, 2019 | $ - | $ 247,000 | $ 150,000 | $ - | $ - | $ - | $ 397,000 |
| Additions | 100,000 | - | - | 599,422 | 400,578 | 247,000 | 1,347,000 |
| Disposals | - | (247,000) | (138,998) | - | - | - | (385,998) |
| Foreign exchange | - | - | - | - | - | (1,942) | (1,942) |
| Change in fair value | - | - | 71,566 | 440,578 | 464,393 | (88,377) | 888,160 |
| Balance, July 31, 2020 | $100,000 | $ - | $ 82,568 | $ 1,040,000 | $ 864,971 | $156,681 | $ 2,244,220 |

(Expressed in Canadian dollars)

**8. INVESTMENTS (CONTINUED)**

The balance in share investments as at July 31, 2019 comprises the following:

| | | EVVO | | Champignon | | Total |
|---|---|---|---|---|---|---|
| Balance July 31, 2018 | $ | - | $ | - | $ | - |
| Additions | | 1,500,000 | | 150,000 | | 1,650,000 |
| Change in fair value | | (1,253,000) | | - | | (1,253,000) |
| Balance, July 31, 2019 | $ | 247,000 | $ | 150,000 | $ | 397,000 |

On September 7, 2018, the Company purchased 29,411 shares of EVVO Labs Pte Ltd. ("EVVO") for cash consideration of $1,500,000. At July 31, 2019, the fair value of this investment was $247,000, which was determined by applying a valuation technique based on observable market inputs of comparable companies. The change in fair value of $1,253,000 was recognized as an unrealized loss on investment. On May 22, 2020 the Company disposed of its interest in EVVO back to EVVO, in consideration for a $247,000 (250,000 Singapore dollars) promissory note (the "Secured Note"). The Secured Note is due one year from issuance and is secured by a pledge of the disposed EVVO shares. (See debt investments below)

On July 11, 2019, the Company subscribed to 2,000,000 shares of Champignon Brands Inc. ("Champignon") for cash consideration of $150,000. During the year ended July 31, 2020, Champignon became a publicly traded company on the CSE. During the year ended July 31, 2020, the Company sold 1,853,300 shares of Champignon for proceeds of $998,040 and recorded a gain of $859,043. As at July 31, 2020, the fair value of the remaining shares was $82,568, which was based on the share price at the end of the trading session on July 31, 2020. The Company recorded the change of $71,566 in fair value as an unrealized gain on investment. As at July 31, 2020, the Company owned 146,700 (2019 – 2,000,000) common shares of Champignon.

On April 13, 2020 the Company purchased an aggregate of 1,000,000 common shares of Akiva Systems Inc. ("Akiva") and 500,000 common share purchase warrants exercisable for an additional 500,000 Akiva Shares at a price of $0.40 for a period of 24 months from issuance for $100,000. At July 31, 2020, the fair value of the units was $100,000, which was determined by valuing the Akiva units at the most recent financing price.

On May 22, 2020 the Company acquired an aggregate of 2,000,000 common shares of Gold Lion Resources Inc. ("Gold Lion") and 2,000,000 common share purchase warrants exercisable for an additional 2,000,000 Gold Lion Shares at a price of $0.75 for a period of 24 months from issuance for $1,000,000. The $1,000,000 was allocated to shares and warrants based on their relative fair value. As at July 31, 2020, the fair value of the shares was $1,040,000 which was based on the share price at the end of trading on July 31, 2020. As at July 31, 2020, the fair value of the common share purchase warrants was estimated to be $864,971, using the Black-Scholes Option Pricing Model with the following assumptions: term of 1.81 years, expected volatility of 219%; risk -free rate of 0.22%; and expected dividends of zero.

***Debt Investments***

On February 26, 2018, the Company entered into an agreement to purchase convertible debentures with an aggregate principal amount of 2,500,000,000 Korean Wan (CAD $2,880,000) issued by Fourth Link Inc. ("Fourth Link"), a company incorporated under the laws of Korea and quoted on the KOSDAQ board of the Korea Stock Exchange. As consideration, the Company issued 16,800,000 common shares on September 7, 2018 (Note 9). The convertible debentures are unsecured, mature on February 3, 2020, bear interest at 4% per annum payable every 3 months, and may be converted into common stock of Fourth Link at any time from March 3, 2018 to maturity at a conversion price of 1,532 Korean Wan per common share. The transaction was approved by the TSX-V on September 5, 2018. The fair value of the investment on initial recognition was $4,740,476, which was based on the quoted market price of Fourth Link's shares on the closing date.

As of July 31, 2020, the Company has been pursuing legal action against Fourth Link for the redemption of the debentures since Fourth Link was delisted from the KOSDAQ and the Company is unable to convert its shares. Court proceedings have been delayed due to COVID-19 and the court date is currently uncertain. Due to the uncertainty of the Company's ability to recover any value from the debentures, as at July 31, 2019, the investment was written off, resulting in a loss of $4,740,476. As at July 31, 2020 the Company continues to pursue legal action against Fourth Link.

(Expressed in Canadian dollars)

## 8. INVESTMENTS (CONTINUED)

On May 15, 2020 the Company entered into a $247,000 (250,000 Singapore dollars) Secured Note with EVVO. The Secured Note is due one year from issuance, is non-interest bearing and secured by a pledge of the disposed EVVO shares. The Secured Note was recognized at a fair value of $158,623 using a discount of 35% on face value. The difference between the fair value and the face value of the Secured Note of $88,377 was recorded in the statement of loss and comprehensive loss. During the year ended July 31, 2020, the Company recorded a foreign exchange loss of $1,942 on the Secured Note and the balance as at July 31, 2020 is $156,681.

## 9. SHARE CAPITAL

***Common shares***

The Company has authorized an unlimited number of common shares without par value.

Effective August 6, 2020, the Company completed a 10:1 stock consolidation. All share and per share figures in these financial statements have been retroactively adjusted to reflect the share consolidation.

As of July 31, 2020, the Company had 28,919,700 (2019: 28,919,700) common shares outstanding.

During the year ended July 31, 2020, the Company did not issue any common shares.

During the year ended July 31, 2019, the Company completed the following common share issuances:

On September 7, 2018, the Company completed its Qualifying Transaction in which it acquired Fourth Link convertible debentures in exchange for 16,800,000 common shares of the Company with a fair value of $4,740,476 (Note 8).

In October of 2018, the Company completed a private placement where it issued 2,240,000 common shares for proceeds of $3,500,000.

On November 27, 2018, the Company issued 2,400 common shares for warrants exercised for proceeds of $600. On December 3, 2018, the Company issued 28,800 common shares for warrants exercised for proceeds of $7,201. The fair value on grant of $4,113 related to these exercised warrants was reclassified from share payment reserve to share capital.

On April 16, 2019, the Company purchased and cancelled 180,000 shares from its CEO for total consideration of $33,750 (Note 11). The Company reduced share capital for the average book value of the common shares repurchased of $73,800 and charged deficit for the difference between the consideration paid and the average book value.

At July 31, 2020, there were 270,000 shares held in escrow (2019 – 540,000). The release of any option securities from escrow is conditioned upon the delivery of notice from the CSE.

***Warrants***

The following table summarizes warrant activity:

| | Number of warrants | Weighted average price |
|---|---|---|
| Balance, at July 31, 2019 and 2018 | 300 | $ 0.25 |
| Expired | (300) | (0.25) |
| Balance at July 31, 2020 | - | $ - |

On November 9, 2019, 300 warrants of the Company with weighted average price of $0.25 expired unexercised and $3,798 in share payment reserve allocated to the expired warrants was reallocated to deficit. .

(Expressed in Canadian dollars)

## 9. SHARE CAPITAL (CONTINUED)

***Stock Options***

The Company has adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to five years from the date the common shares are listed on the CSE. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

During the year ended July 31, 2019, 150,000 stock options were cancelled. The estimated fair value of the cancelled stock options was $33,603, which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 100%; an expected life of 10 years; a dividend yield rate of 0%; and a risk-free interest rate of 1.81%.

The following table summarizes information on stock options outstanding and exercisable at July 31, 2020 and 2019:

| Number of Shares | Exercise Price | Expiry Date | Exercisable |
|---|---|---|---|
| 50,000 | $0.25 | November 9, 2027 | 50,000 |

During the year ended July 31, 2020, the Company did not issue any stock options. As at July 31, 2020 the options outstanding had a weighted average exercise price of $0.25 and a weighted average life of 7.28 years.

***Share Payment Reserve***

The share payment reserve includes stock-based compensation expense related to fair value of stock options granted.

## 10. INCOME TAXES

| | Year ended July 31, 2020 | Year ended July 31, 2019 |
|---|---|---|
| Net income (loss) before income tax | $ 1,126,874 | $ (6,578,929) |
| Statutory tax rate | 27% | 27% |
| Expected income tax (recovery) at the statutory tax rate | $ 304,256 | $ (1,776,311) |
| Non-deductible items and other | (115,026) | 1,296,088 |
| Effect of change in tax rates | - | (3,806) |
| Change in valuation allowance | (189,230) | 484,029 |
| Income tax expense | $ - | $ - |

At July 31, 2020, the Company had non-capital losses of approximately $1,064,800 (2019 - $868,100) available for carry forward. At July 31, 2020, management considers it is “more likely than not” that these losses will not be utilized and accordingly no deferred income tax asset has been recognized.

(Expressed in Canadian dollars)

## 10. INCOME TAXES (CONTINUED)

The temporary differences expire as follows:

| | Year ended July 31, 2020 | Year ended July 31, 2019 | Expiry |
|---|---|---|---|
| Share issuance costs | $ 25,429 | $ 38,144 | None |
| Investments | 366,783 | 1,253,000 | None |
| Non-capital losses | 1,064,861 | 868,108 | 2037-2040 |
| Other | 1,330 | - | None |
| Valuation allowance | (1,458,403) | (2,159,252) | None |
| | $ - | $ - | |

## 11. RELATED PARTY TRANSACTIONS

During the years ended July 31, 2020 and 2019 the Company paid the following consulting and management fees:

| | July 31, 2020 | July 31, 2019 |
|---|---|---|
| Consulting fees paid to the CEO of the Company | $ 42,175 | $ 22,050 |
| Consulting fees paid to the current CFO and former director of the Company | 14,600 | 1,050 |
| Consulting fees paid to a former director of the Company | - | 33,718 |
| Consulting fees paid to a Company controlled by a former director of the Company | 10,000 | 42,000 |
| Consulting fees paid to a Company controlled by a director of the Company | 1,000 | - |
| | $ 67,775 | $ 98,818 |

At July 31, 2020, $500 (2019 - $nil) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

On April 16, 2019, the Company purchased and cancelled 180,000 shares from its CEO for total price of $33,750 (Note 9).

## 12. SUBSEQUENT EVENTS

On August 6, 2020, the Company completed a consolidation of its issued and outstanding common shares on the basis of ten pre-consolidation shares for one post-share (the "Consolidation"). Prior to the Consolidation, the Company had 289,197,000 common shares issued and outstanding. Following completion of the Consolidation, the Company has 28,919,700 common shares issued and outstanding.

On November 16, 2020, the Company announced that the Company’s common shares has been approved for listing on the CSE and is trading on the CSE under the trading symbol “MEDI”. The Company’s common shares were voluntarily delisted from the TSX-V at the close of market on November 12, 2020, and commenced trading on the CSE on November 13, 2020. The Company’s ticker symbol remains unchanged and the transition was seamless for investors buying or selling shares.