

Speakeasy Cannabis Club Ltd.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended April 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of SpeakEasy Cannabis Club Ltd. (the “Company”) are the responsibility of the Company’s management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management’s best estimates and judgments based on information currently available.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and reviews the condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

The condensed consolidated interim financial statements as at April 30, 2020, and for the periods ended April 30, 2020 and 2019, have not been audited by the Company’s independent auditors.

Speakeasy Cannabis Club Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

As at

	April 30, 2020	July 31, 2019
ASSETS		
Current assets		
Cash and equivalents	\$ 548,158	\$ 3,922,921
Sales taxes recoverable	245,467	560,971
Due from a related party (Note 11)	10,403	11,044
Prepaid expenses	48,479	76,363
Construction deposit (Note 7)	10,848	65,471
Biological assets (Note 5)	3,713,524	-
Total current assets	4,576,879	4,636,770
Non-current assets		
Right-of-use assets (Note 6)	154,314	-
Property, plant and equipment (Note 7)	13,333,013	12,671,359
Total non-current assets	13,487,327	12,671,359
Total assets	\$ 18,064,206	\$ 17,308,129
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 3,600,142	\$ 3,012,161
Advances payable (Note 9)	618,500	100,000
Convertible debt payable (Note 10)	250,000	-
Lease liabilities (Note 6)	68,674	-
Total current liabilities	4,537,316	3,112,161
Lease liabilities (Note 6)	87,582	-
Total liabilities	4,624,898	3,112,161
Shareholders' equity		
Share capital (Note 12)	46,282,937	38,604,300
Contributed surplus (Note 12)	5,315,832	4,976,563
Commitment to issue shares	-	5,000,000
Deficit	(38,159,461)	(34,384,895)
Total shareholders' equity	13,439,308	14,195,968
Total liabilities and shareholders' equity	\$ 18,064,206	\$ 17,308,129

Nature of operations (Note 1)

Going concern assumption (Note 2)

Subsequent events (Note 18)

{02413445;1}

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

Speakeasy Cannabis Club Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2020	2019	2020	2019
Operating Expenses				
Advertising and promotion	\$ 251,350	\$ 1,187	\$ 343,899	\$ 33,721
Amortization and depreciation (Note 6 and 7)	103,613	-	291,686	-
Automobile	32,972	23,124	75,584	60,304
Consulting fees (Note 11)	277,280	1,604,312	868,772	2,070,566
Filing and listing fees	7,685	30,905	33,087	54,862
Interest income	(13)	-	(12,583)	-
Legal and professional fees	193,176	94,667	391,468	374,370
Loss on settlement of debt	-	15,459	-	15,459
Meals and entertainment	1,455	1,584	6,980	7,123
Office and general expenses	201,290	216,563	824,690	354,795
Repairs and maintenance	9,791	-	17,650	66
Share-based payments (Notes 11 and 12)	1,315,456	778,865	1,414,806	896,936
Travel	4,066	29,105	28,011	119,154
Salaries and wages (Note 12)	637,073	2,581,489	2,494,472	3,642,675
Unrealized gain on change in fair value of biological assets (Note 5)	(3,269,165)	-	(3,003,956)	-
Loss and comprehensive loss	\$ (233,971)	\$ (5,377,260)	\$ (3,774,566)	\$ (7,630,031)
Basic and diluted loss per share	\$ (0.00)	\$ (0.08)	\$ (0.04)	\$ (0.13)
Weighted average number of common shares outstanding - basic and diluted	101,179,681	68,209,325	95,223,664	59,564,706

{02413445;1}

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

Speakeasy Cannabis Club Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the nine months ended April 30,

	2020	2019
Operating activities		
Loss for the period	\$ (3,774,566)	\$ (7,630,031)
Adjustment for non-cash items		
Amortization and depreciation	291,686	-
Accretion of interest of right of use assets	11,459	-
Loss of settlement of debt	-	15,459
Shares and warrants issued for services	341,350	-
Share-based compensation	1,414,806	896,936
Acquisition of biological assets	(675,038)	-
Unrealized gain of biological assets	(3,003,956)	-
Net changes in non-cash working capital:		
GST/HST recoverable	(140,496)	(173,639)
Prepays	27,884	372,769
Due from a related party	641	-
Accounts payable and accrued liabilities	761,035	3,877,485
Net cash used in operating activities	(4,745,195)	(2,641,021)
Investing activities		
Expenditures on property, plant and equipment	(1,054,599)	(3,087,746)
Lease obligation expense	(61,219)	-
Loan received	-	300,000
Repayment of loan	-	(200,000)
Net cash used in investing activities	(1,115,818)	(2,987,743)
Financing activities		
Proceeds from issuance of private placements	1,315,000	16,345,163
Proceeds from exercise of options	8,000	-
Proceeds from exercise of warrants	-	232,285
Share issuance costs	(61,250)	(331,439)
Advances received	768,500	-
Net cash provided by financing activities	2,030,250	16,246,009
Net change in cash and equivalents	(3,830,763)	10,617,245
Cash and equivalents, beginning of period	3,922,921	588,041
Cash and equivalents, end of period	\$ 92,158	\$ 11,205,286

Supplemental disclosure of cash flow information - Note 17

{02413445;1}

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

Speakeasy Cannabis Club Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Common share capital		Subscription received in advance	Commitment to issue shares	Contributed surplus	Deficit	Total
	Number of shares	Amount					
Balance July 31, 2018	49,720,312	\$ 19,989,543	\$ 360,000	\$ 1,777,009	\$ 3,265,315	\$ (20,772,469)	\$ 4,619,398
Private placements (note 12)	28,921,949	16,345,163	-	-	-	-	16,345,163
Share issuance costs	-	(571,159)	-	-	239,721	-	(331,438)
Warrants exercised (note 12)	3,134,285	592,285	(360,000)	-	-	-	232,285
Shares issued for debt settlement (note 12)	5,130,202	3,473,453	-	-	-	-	3,473,453
Share based compensation (notes 11 and 12)	-	-	-	-	896,936	-	896,936
Loss	-	-	-	-	-	(7,630,031)	(7,630,031)
Balance April 30, 2019	86,906,748	39,829,285	-	1,777,009	4,401,972	(28,402,500)	17,605,766
Warrants exercised (note 12)	-	273,544	-	-	(273,544)	-	-
Shares issued for debt settlement (note 12)	(2,162,499)	(1,758,832)	-	-	-	-	(1,758,832)
Share based compensation (notes 11 and 12)	2,172,389	260,303	-	3,222,991	848,135	-	4,331,429
Loss	-	-	-	-	-	(5,982,395)	(5,982,395)
Balance July 31, 2019	86,916,638	38,604,300	-	5,000,000	4,976,563	(34,384,895)	14,195,968
Private placements (note 12)	3,287,500	1,315,000	-	-	-	-	1,315,000
Share issuance costs	-	(77,546)	-	-	16,296	-	(61,250)
Options exercised (note 12)	25,000	10,683	-	-	(2,683)	-	8,000
Commitment to issue shares	12,200,000	6,163,000	-	(5,000,000)	-	-	1,163,000
Asset acquisition and consulting services (note 13)	250,000	87,500	-	-	73,850	-	161,350
Shares for services (note 12)	600,000	180,000	-	-	-	-	180,000
Share based compensation (notes 11 and 12)	-	-	-	-	251,806	-	251,806
Loss	-	-	-	-	-	(3,774,566)	(3,774,566)
Balance April 30, 2020	103,279,138	\$ 46,282,937	\$ -	\$ -	\$ 5,315,832	\$ (38,159,461)	\$ 13,439,308

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

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

1. Nature of Operations

Speakeasy Cannabis Club Ltd. (the “Company” or “Speakeasy”) is a publicly traded company listed on the Canadian Securities Exchange (“CSE”), trading under the symbol EASY, and has an application for a license under the Access to Cannabis for Medical Purposes Regulations (“AMCPR”) to become licensed producer of medical cannabis in Canada, which was received during the period ended April 30, 2020. The head office and registered records office of the Company is located at 1520 Meyers Creek Road West, Rock Creek, BC, Canada, V0H 1Y0.

On April 2, 2018, the Company acquired 100% of the issued and outstanding common shares of 10161233 Canada Ltd. (“10161233”) in exchange for 12,000,000 of the Company’s common shares (the “Transaction”). The Transaction was accounted for as a reverse takeover whereby Speakeasy obtained a listing of its shares on the CSE as well as financing for the further development of its business.

The Company was one of the respondents to the British Columbia Securities Commission (“BCSC”) Temporary Order dated November 26, 2018 issued against a group of people and entities. The hearing was held on December 7, 2018. The case centred around share issuances by 11 CSE issuers (the Company being one of the named issuers in the order) between February 2018 and August 2018. The BCSC is investigating whether the respondents violated securities legislation by participating in a scheme that involved conduct abusive to the capital markets and the illegal distribution of securities. The scheme, as set out by the BCSC, involved listed companies issuing private placement shares without a prospectus. The issuances were done under an exemption normally reserved for consultants.

On May 5, 2020, the Company entered into a settlement with the BCSC. The settlement resolves the BCSC’s review of the Company’s involvement in the ongoing BCSC investigation. Under the terms the BCSC will not seek any orders against the Company, including financial orders. Full details of the settlement, including the settlement agreement, will be available on the BCSC website: www.bcsc.bc.ca

2. Going Concern Assumption

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards (“IFRS”). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. At April 30, 2020, the Company has incurred losses totaling \$38,159,461 (July 31, 2019 - \$34,384,895) since inception. The Company’s ability to continue as a going concern is dependent on its ability in the future to achieve profitable operations and in the meantime, obtain the necessary financing to meet its obligations and repay its liabilities when they come due. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

3. Statement of Compliance and Basis of Presentation

(a) Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), in particular IAS 34, Interim Reporting, and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) as of June 29, 2020, the date the Company’s Board of Directors approved these financial statements.

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

3. Statement of Compliance and Basis of Presentation (continued)

(b) Basis of presentation

These condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments which may be measured at fair value in subsequent periods, and have been prepared using the accrual basis of accounting except for cash flow information.

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 10161233 Canada Ltd. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

4. Significant Accounting Policies

a) Newly adopted accounting policies

IFRIC 23 Uncertainty Over Income Tax Treatments IFRIC 23 Clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted.

a) Property, plant and equipment

Property, plant and equipment are recorded at cost net of accumulated amortization and impairment charges. The cost of repairs and maintenance is expensed as incurred. Amortization is provided on the straight-line method over the estimated lives of assets. Upon sale or other disposition of a depreciable asset, cost and accumulated amortization are removed from property, plant and equipment and any gain or loss is reflected as a gain or loss from operations. Amortization is provided using the following annual rates.

Buildings and Improvements	4%	declining balance
Equipment	20%	declining balance
Vehicle	30%	declining balance

Amortization methods, useful lives and residual values are reviewed at each financial year end and are adjusted of appropriate. Property, plant and equipment costs are not amortized until the asset is available for use.

b) Biological assets

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent and insurance to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred and they are all subsequently recorded within the line item 'cost of goods sold' on the consolidated statements of loss in the period that the related product is sold. Unrealized fair value gains or losses on growth of biological assets are recorded in a separate line on the face of the consolidated statements of loss. Biological assets are measured at their fair value less costs to sell on the statement of financial position. At April 30, 2020 and July 31, 2019, the Company's biological assets consist of seeds and growing materials.

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

c) Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i. Impairment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amounts. As at January 31, 2020, there were no indications that certain tangible assets of the Company are impaired. The effect of this impairment is recorded in the Company's consolidated statement of loss and comprehensive loss.

ii. Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

i. Share-based compensation

The Company records all share-based compensation and warrants issued in connection with private placements, using the fair value method. The Company uses the Black-Scholes option pricing model to determine the fair value of share-based compensation. This estimate also requires determining the most appropriate inputs to the valuation model. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used and the expected duration of the instrument. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options. The Company recognizes the fair value of bonus shares, and the commitment to issue shares, based on the trading price at the date of the commitment on a percentage basis on the likelihood of the completion of the event.

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

ii. Estimated useful lives of property, plant and equipment

The Company makes estimates and utilizes assumptions in determining the useful lives of property and equipment, and the related amortization. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.

d) Loss per Share

The Company presents basic loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options, warrants and similar instruments outstanding that may add to the total number of common shares.

e) Share-based payments transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant measured using the Black-Scholes option pricing model and charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. If the options expire unexercised, the share-based payments remain in share-based payment reserve.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

f) Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories. Those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”).

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company’s financial instruments as at August 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39) are as follows:

	IAS 39 Classification	IFRS 9 Classification
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Advances payable	Other liabilities	Amortized cost

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs for all classifications of financial instruments, other than those at FVTPL, that are directly attributable to the acquisition or issuance of a financial asset or financial liability are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

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4. Significant Accounting Policies (continued)

f) Financial instruments (continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the expected credit loss has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables, the Company has no material loss allowance at adoption or as at April 30, 2020.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – Inputs that are not based on observable market data.

g) Impairment of non-current assets

Non-current assets are evaluated at each reporting date by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash-generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement.

Discounted cash flow techniques often require management to make estimates and assumptions, which if incorrect, could result in a material difference in the consolidated financial statements.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks, undeposited GST refund cheques and highly liquid short-term investments in high interest saving accounts which can be withdrawn at any time, which, in the opinion of management, is subject to an insignificant risk of changes in value. As at April 30, 2020, the Company held cash of \$548,148 (July 31, 2019 - \$61,424) and cash equivalents in the form of guaranteed investment certificates of \$Nil (July 31, 2019 - \$3,861,497).

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

(Unaudited – Prepared by Management)

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4. Significant Accounting Policies (continued)

i) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

5. Biological assets

The Company's biological assets consists of seeds and cannabis plants. The continuity of biological assets for the nine months ended April 30, 2020 and the year ended July 31, 2020 was as follows:

	Nine months ended April 30, 2020	Year ended July 31, 2019
Biological Assets		
Balance, beginning of period	\$ -	\$ -
Purchases of seeds	90,000	-
Increase in biological assets due to capitalized costs	619,568	-
Unrealized gain on changes in fair value of biological assets	3,003,956	-
Balance, end of period	\$ 3,713,524	\$ -

The significant unobservable assumptions used in the valuation of biological assets are as follow:

Significant unobservable assumptions	Range estimate	Sensitivity
Estimated yield per plant	283 grams/plant	A slight increase in the estimated yield per plant would result in a significant increase in fair value, and vice versa.
Average selling price per gram	\$4.00 /gram	A slight increase in the estimated selling price per strain would result in a significant increase in fair value, and vice versa.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

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6. Right Of Use Assets

Effective August 1, 2019, the Company adopted the following accounting policies.

IFRS 16 - In 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), replacing IAS 17, Leases and related interpretations. The standard introduces a single on- statement of financial position recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 became effective for the Company on August 1, 2019, and is to be applied retrospectively. IFRS 16 resulted in an increase in assets and liabilities as fewer leases will be expensed as payments are made. This also increases depreciation and interest expenses. Cash used in financing activities increases as the principal portion of lease payments are recorded as financing outflows in the Company's consolidated statement of cash flow.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments excluding renewal options as they are not expected to be exercised, discounted using the Company’s incremental borrowing rate as of August 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on August 1, 2019 was 10%.

The following is a reconciliation of operating lease commitments to lease obligation in accordance with IFRS 16:

Total operating lease commitments disclosed at July 31, 2019	\$	197,262
Less: short-term leases		-
Current operating lease liabilities before discounting		197,262
Discounted using incremental borrowing rate		(22,669)
Total current lease liabilities recognized under IFRS 16 at August 1, 2019	\$	174,593
Addition		34,800
Discounted using incremental borrowing rate		(3,377)
Total current lease liabilities recognized under IFRS 16 at April 30, 2020	\$	206,016

The associated right-of-use asset for the property lease was measured on a retrospective basis as if the new rules had always been applied adjusted by the amount of any prepaid or accrued lease payments and deferred lease inducement relating to that lease recognized in the statement of financial position as at July 31, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets to the date of initial application.

The recognized right-of-use asset relates to the lease on the Canadian facilities. The change in accounting policy affected the following items in the statement of financial position on August 1, 2019:

- Right-of-use assets – increased by \$174,593
- Lease liabilities - increased by \$174,593

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- elected to account for the payments for short-term leases and leases of low-value assets as an expense in the statement of loss on a straight-line basis over the lease term
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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6. Right Of Use Assets (continued)

For the nine months ending April 30, 2020, the depreciation of the right of use assets were \$51,702. The right of use assets are depreciated on a straight-line basis over the term of the lease.

Right of use asset, August 1, 2019	\$	174,593
Addition		31,423
Depreciation of right of use assets		(51,702)
Right of use asset, April 30, 2020	\$	154,314

As of April 30, 2020, the Company have two agreements that are leases as defined under IFRS 16. In analyzing the identified agreements, the Company applied the lessee accounting model pursuant to IFRS 16, and considered all of the facts and circumstances surrounding the inception of the contract. Lease liabilities were calculated with a discount rate of 10%.

Lease Type	Date of Maturity
Office space	November 7, 2021
Office space	March 31, 2022

For the nine months ending April 30, 2020, finance charges on the lease liabilities were \$11,459 (included in interest and bank charges in the consolidated statement of operations and comprehensive loss).

Current lease liabilities, August 1, 2019	\$	174,593
Addition		31,423
Payments		(61,219)
Finance costs		11,459
Current lease liabilities, April 30, 2020	\$	156,256

		April 30, 2020
Less than one year	\$	68,674
Greater than one year		87,582
Total lease liabilities, April 30, 2020	\$	156,256

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7. Property, Plant and Equipment

COST	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2018	\$ 3,076,763	\$ 694,782	\$ 449,916	\$ 4,221,461
Additions	7,427,997	1,021,901	-	8,449,898
Balance, July 31, 2019	10,504,760	1,716,683	449,916	12,671,359
Additions	794,825	141,343	-	936,168
Balance, April 30, 2020	\$ 11,299,585	\$ 1,858,026	\$ 449,916	\$ 13,607,527

ACCUMULATED DEPRECIATION	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2018 and 2019	\$ -	\$ -	\$ -	\$ -
Additions	202,354	72,160	-	274,514*
Balance, April 30, 2020	\$ 202,354	\$ 72,160	\$ -	\$ 274,514

NET BOOK VALUE	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2019	\$ 10,504,760	\$ 1,716,683	\$ 449,916	\$ 12,671,359
Balance, April 30, 2020	\$ 11,097,231	\$ 1,785,866	\$ 449,916	\$ 13,333,013

* \$34,530 of depreciation related to biological assets (Note 5)

8. Accounts Payable and Accrued Liabilities

At April 30, 2020, the Company had deposits relating to future building costs of \$10,848 (July 31, 2019 - \$65,471).

	April 30, 2020	July 31, 2019
Accounts payable	\$ 3,154,319	\$ 2,851,199
Accrued liabilities	221,000	62,138
Payroll tax liabilities	224,823	98,824
	\$ 3,600,142	\$ 3,012,161

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9. Advances Payable

During the period ended April 30, 2020, the Company received the following loans:

- i) \$143,500 unsecured non-interest bearing loan with no set repayment term. The loan remained outstanding at April 30, 2020.
- ii) \$125,000 unsecured non-interest bearing loan with no set repayment term. The loan remained outstanding at April 30, 2020.
- iii) \$250,000 unsecured non-interest bearing loan with no set repayment term. The loan remained outstanding at April 30, 2020.

During the year ended July 31, 2019, the Company received the following loans:

- i) \$100,000 unsecured non-interest bearing loan with no set repayment term (Note 16). The loan remained outstanding at April 30, 2020.
- ii) \$200,000 unsecured loan from the president of the Company bearing interest at 8% per annum with no set repayment terms. The loan accrued interest of \$1,333. During the year ended July 31, 2019, the Company settled the loan and interest by issuing 442,760 common shares valued at \$221,380 (Note 12).

10. Convertible Loan

During the period ended April 30, 2020, the Company entered into a senior secured convertible loan agreement in the principal amount of \$2,000,000, of which \$250,000 was received as an initial advance on the principal amount. The loan bears interest at a rate of 55% per annum and will be repayable as to \$1,810,000 on or before May 5, 2021, and \$1,999,500 on or before May 5, 2022. In connection with the loan, the Company has agreed to pay a finders fee of \$190,000 on or before May 21, 2021.

The loan, including accrued interest and finder's fee, is convertible into common shares of the Company at a price of \$1.00 per share, subject to adjustment on the terms and condition set forth in the agreement.

The loan is secured by the Company's property in Rock Creek and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

11. Related Party Transactions and Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the nine months ended April 30, 2020, the Company,

- i) incurred wages, labour and management fees of \$180,000 (2019 - \$960,333) to a former director and CEO of the Company, namely Marc Geen, during his time as a director and officer. 10,000,000 bonus shares valued at \$5,000,000 were also issued. The value of the bonus shares was recorded in a previous year. At April 30, 2020, \$9,331 in accounts payable and \$143,500 in loans payable were due to this individual.
- ii) incurred consulting fees of \$Nil (2019 - \$45,000) to a company controlled by a former director of the Company, namely Mervyn Geen, during his time as a director.
- iii) incurred wages, labour and management fees of \$Nil (2019 - \$122,500) to a former director of the Company, namely Brian Peery, during his time as a director.

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11. Related Party Transactions and Disclosures (continued)

- iv) incurred wages, labour and management fees of \$180,000 (2019 - \$Nil) to the CEO, namely Bin Huang, of the Company.
- v) incurred wages, labour and management fees of \$136,000 (2019 - \$Nil) to a director of the Company, namely Frey Garabagi.
- vi) incurred wages, labour and management fees of \$90,000 (2019 - \$98,000) to the former corporate secretary of the Company for corporate secretary services, namely Deborah Cotter, during her time as the corporate secretary of the Company. At April 30, 2020, \$494 in accounts payable was owing to this individual.
- vii) incurred wages, labour and management fees of \$108,000 (2019 - \$Nil) to a director of the Company, namely Patrick Geen.
- viii) incurred consulting fees of \$80,000 (2019 - \$Nil) to a company owned by a director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh.

As at April 30, 2020, the Company had balances due to related parties of:

- i) \$Nil (July 31, 2019 - \$996), which is due to a former director and CEO of the Company, namely Daniel Wettreich. The amount has no set repayment term, is unsecured and is non-interest bearing.
- ii) \$27,520 (July 31, 2019 - \$27,520), which is due to a former director and CFO of the Company, namely Anthony Jackson who resigned on September 6, 2018. The amount has no set repayment term, is unsecured and is non-interest bearing.
- iii) \$163,800 (July 31, 2019 - \$163,800), which is due to a company controlled by a former director and CFO of the Company who resigned on September 6, 2018, namely Bridgemark Capital Corp., controlled by Anthony Jackson. The amount has no set repayment term, is unsecured and is non-interest bearing.
- iv) \$1,875 (July 31, 2019 - \$1,875), which is due to a company controlled by a former director and CFO of the Company, namely Essos Corporate Services Inc. controlled by Von Torres who resigned on March 26, 2018. The amount has no set repayment term, is unsecured and is non-interest bearing.
- v) \$Nil (July 31, 2019 - \$494) which is due to the former corporate secretary of the Company, namely Deborah Cotter. The amount has no set repayment term, is unsecured and is non-interest bearing.
- vi) \$713 (July 31, 2019 - \$713) which is due to the president of the Company, namely Brian Peery. The amount has no set repayment term, is unsecured and is non-interest bearing.
- vii) \$Nil (July 31, 2019 - \$4,574) which is due to a company owned by a former director of the Company, namely Mervyn Geen. The amount has no set repayment term, is unsecured and is non-interest bearing.
- viii) \$Nil (July 31, 2019 - \$67,725) which is due to a partnership in which the former CFO, namely Dave Cross, has an interest. The amount has no set repayment term, is unsecured and is non-interest bearing.
- ix) \$135,928 (July 31, 2019 - \$962) which is due to the CEO, namely Bin Huang, of the Company.
- x) \$28,351 (July 31, 2019 - \$7,613) which is due to a director of the Company, namely Frey Garabagi. The amount has no set repayment term, is unsecured and is non-interest bearing.
- xi) \$18,000 (July 31, 2019 - \$18,000) which is due to a company owned by a former director of the Company, namely Hilliard Consulting LLC, owned by Alex Kaulins. The amount has no set repayment term, is unsecured and is non-interest bearing.

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11. Related Party Transactions and Disclosures (continued)

- xii) \$46,505 (July 31, 2019 - \$Nil) which is due to a company owned by a director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh. The amount has no set repayment term, is unsecured and is non-interest bearing.

During the nine months ended April 30, 2020, the Company issued 700,000 (2019 – 200,000) stock options to the directors of the Company with a fair value of \$271,225 (2019 - \$354,339).

As at April 30, 2020, the Company had balances due from a related party of \$10,403 (July 31, 2019 - \$11,044), which is due from a former director and CEO of the Company, namely Marc Geen.

12. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

During the nine months ended April 30, 2020, the Company:

- i) issued 10,000,000 common shares valued at \$5,000,000 pursuant to a performance agreement for the receipt of the Health Canada's license for cultivation, processing and medical sales.
- ii) issued 100,000 common shares valued at \$50,000 pursuant to a performance agreement for the receipt of the Medical Purposes Regulations license application ("ACMPR") from Health Canada.
- iii) issued 3,287,500 units at a price of \$0.40 per unit for proceeds of \$1,315,000. Each unit comprises of one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of \$0.80 with a 12 months expiry. In connection with this private placement, the Company paid \$59,950 in finders' fees and issued 153,125 finders warrants valued at \$16,296. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.80 per share for the period of 12 months following closing. The Company also paid other share issuance costs of \$1,300.
- iv) issued 2,000,000 common shares valued at \$1,060,000 pursuant to a performance agreement for the receipt of a license to sell under the ACMPR from Health Canada.
- v) issued 100,000 common shares valued at \$53,000 pursuant to a performance agreement for the receipt of the amending ACMPR license from Health Canada.
- vi) issued 25,000 common shares for proceeds of \$8,000 pursuant to the exercise of options, and accordingly, the Company reallocated \$2,683 of contribution surplus to share capital.
- vii) issued 600,000 common shares in settlement of \$180,000 owed to an arm's length creditor.
- viii) issued 250,000 common shares valued at \$87,500 pursuant to assets acquisition and business consulting services.

During the year ended July 31, 2019, the Company:

- i) issued 2,000 common shares at a price of \$0.50 per unit for proceeds of \$1,000.

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12. Share Capital (continued)

- ii) issued 3,863,804 units at a price of \$0.60 per unit for proceeds of \$2,318,282. Each unit comprises of one common share and one-half warrant. Each one whole warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry. In connection with this private placement, \$143,188 in finders' fees were paid by the Company and issued 238,648 finders warrants valued at \$44,961. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$1.00 per share for the period of 24 months following closing.
- iii) issued 5,370,758 units at a price of \$0.50 per unit for proceeds of \$2,685,381. Each unit comprises of one common share and one-half warrant. Each one whole warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry. In connection with this private placement, \$122,500 in finders' fees were paid by the Company and issued 245,000 finders warrants valued at \$148,147. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$1.00 per share for the period of 24 months following closing.
- iv) issued 929,242 units valued at \$464,621 to settle outstanding debt, which resulted in a loss on settlement of debt of \$15,459. Each unit comprises of one common share and one-half warrant. Each one whole warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry.
- v) issued 9,700,000 units at a price of \$0.50 per unit for proceeds of \$4,850,000. Each unit comprises of one common share and one-half warrant. Each one whole warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry.
- vi) issued 500,000 units at a price of \$0.50 per unit to settle outstanding debt of \$250,000. Each unit comprises of one common share and one-half warrant. Each one whole warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry.
- vii) issued 2,162,499 common shares valued at \$252,292 for performance bonus to key management personnel, including a reclassification of \$31,692 included in commitment to issue shares as at July 31, 2018.
- viii) issued 8,240,002 units at a price of \$0.65 per unit for proceeds of \$5,356,000. Each unit comprises of one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry. In connection with this private placement, \$9,425 in finders' fees were paid by the Company and issued 14,500 finders warrants valued at \$6,690. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$1.00 per share for the period of 24 months following closing.
- ix) issued 1,538,461 units at a price of \$0.65 per unit to settle outstanding debt of \$1,000,000. Each unit comprises of one common share and warrant. Each warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry.
- x) issued 1,745,385 units at a price of \$0.65 per unit for proceeds of \$1,134,500. Each unit comprises of one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of \$1.00 with a 24 months expiry. In connection with this private placement, \$56,325 in finders' fees were paid by the Company and issued 86,500 finders warrants valued at \$39,923. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$1.00 per share for the period of 24 months following closing.
- xi) issued 3,134,285 common shares pursuant to the exercise of warrants for proceeds of \$592,285, of which \$360,000 was received during the year ended July 31, 2018. Upon exercise, the Company reclassified the fair value of the warrants, \$273,544, from contributed surplus to common share capital.
- xii) issued 9,890 common shares valued at \$8,011 for performance bonus to key management personnel.

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12. Share Capital (continued)

Escrowed Shares

At April 30, 2020, there were 3,600,000 shares held in escrow. Under the applicable escrow agreements, 1,200,000 shares were released during the period ended April 30, 2020.

Stock Options

During the period ended April 30, 2020, the Company:

- i) granted 440,000 incentive stock options to a director, employees and consultants with a fair value of \$199,467. The options are exercisable at a price of \$0.70 per share for a period of 5 years. The options vest over 3 years, 25% at grant date and 25% after every year.
- ii) granted 300,000 incentive stock options to an employee with a fair value of \$100,611. The options are exercisable at a price of \$0.32 per share for a period of 5 years. The options vest over 3 years, 25% at grant date and 25% after every year.
- iii) granted 100,000 incentive stock options to a director with a fair value of \$36,331. The options are exercisable at a price of \$0.39 per share for a period of 5 years. The options vest over 3 years, 25% at grant date and 25% after every year.
- iv) granted 545,000 incentive stock options to employees with a fair value of \$206,621. The options are exercisable at a price of \$0.42 per share and expire on April 8, 2025. The options vest over 3 years, of which 300,000 options are vested at grant date, 200,000 option are vested monthly over a two-year period, and 45,000 options are vested 25% at grant date and 25% after every year.

During the year ended July 31, 2019, the Company:

- i) granted 200,000 incentive stock options to an employee and consultant with a fair value of \$91,277. The options are exercisable at a price of \$0.70 per share for a period of 5 years. The options were fully vested on the grant date.
- ii) granted 200,000 incentive stock options to an employee with a fair value of \$139,951. The options are exercisable at a price of \$0.90 per share for a period of 5 years. The options were fully vested on the grant date.
- iii) granted 925,000 incentive stock options to employees and consultants with a fair value of \$560,904. The options are exercisable at a price of \$0.80 per share for a period of 5 years. 850,000 options were fully vested on the grant date. 75,000 vest upon receipt of the AMCPR.
- iv) granted 100,000 incentive stock options to a director of the Company with a fair value of \$77,792. The options are exercisable at a price of \$0.90 per share for a period of 5 years. The options were fully vested on the grant date.
- v) granted 100,000 incentive stock options to a director of the Company with a fair value of \$67,659. The options are exercisable at a price of \$0.86 per share for a period of 5 years. The options were fully vested on the grant date.
- vi) granted 1,738,333 incentive stock options to the CEO of the Company with a fair value of \$807,488. The options are exercisable at a price of \$0.67 per share for a period of 5 years. The options vest over three years.

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12. Share Capital (continued)

Stock Options (continued)

A summary of the status of share purchase options outstanding is presented below:

	Number of stock options	Weighted average exercise price (\$)
Balance, July 31, 2018	3,905,000	0.87
Granted	3,263,333	0.74
Expired/Cancelled	(780,000)	0.95
Balance, July 31, 2019	6,388,333	0.79
Granted	1,385,000	0.49
Exercised	(25,000)	0.32
Expired/Cancelled	(40,000)	0.80
Balance, April 30, 2020	7,708,333	0.74

The following table sets out the details of the stock options granted and outstanding as at April 30, 2020:

Expiry date	Exercise price (\$)	Number of options outstanding	Number of options exercisable
March 26, 2023	0.95	900,000	900,000
July 23, 2023	0.70	1,300,000	1,300,000
July 23, 2023	0.95	925,000	925,000
October 23, 2023	0.70	200,000	200,000
February 28, 2024	0.90	200,000	200,000
March 12, 2024	0.80	885,000	885,000
March 15, 2024	0.90	100,000	100,000
May 29, 2024	0.86	100,000	100,000
June 27, 2024	0.67	1,738,333	1,738,333
November 11, 2024	0.70	440,000	110,000
January 2, 2025	0.32	275,000	75,000
January 30, 2025	0.39	100,000	25,000
April 8, 2025	0.42	545,000	311,250
		7,708,333	6,869,583

The fair value of the options granted was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

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12. Share Capital (continued)

Stock Options (continued)

Period ended April 30, 2020

Expected Volatility	147.91%
Risk-free interest rate	1.20%
Expected life in years	5 years
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per option	\$0.64

Year ended July 31, 2019

Expected Volatility	100%
Risk-free interest rate	1.54%
Expected life in years	5 years
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per option	\$0.53

Warrants

	Number of warrants	Weighted average exercise price (\$)
Balance, July 31, 2018	19,901,012	0.87
Issued	22,290,398	0.99
Exercised	(3,134,285)	0.19
Expired	(16,766,727)	1.00
Balance, July 31, 2019	22,290,398	0.99
Issued	4,640,625	0.79
Balance, April 30, 2020	26,931,023	0.96

The following table sets out the details of the warrants issued and outstanding as at April 30, 2020:

Expiry date	Exercise price (\$)	Number of warrants outstanding
September 27, 2020	1.00	2,170,550
December 6, 2020	0.80	3,287,500
December 6, 2020	0.80	153,125
March 8, 2021	1.00	8,250,000
March 8, 2021	1.00	245,000
March 10, 2021	0.50	400,000
March 10, 2021	0.75	400,000
March 10, 2021	1.00	400,000
April 24, 2021	1.00	9,778,463
April 24, 2021	1.00	14,500
April 25, 2021	1.00	1,745,385
April 25, 2021	1.00	86,500
		26,931,023

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12. Share Capital (continued)

Warrants (continued)

The fair value of the finders warrants granted was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

Period ended April 30, 2020

Expected Volatility	96.67%
Risk-free interest rate	0.70%
Expected life in years	1 year
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per option	\$0.42

Year ended July 31, 2019

Expected Volatility	100%
Risk-free interest rate	1.85%
Expected life in years	2 years
Expected dividend yield	0.00%
Forfeiture rate	0.00%
Weighted average fair value per option	\$0.41

13. Capital Management

The Company's policy is to maintain a strong capital base as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its projects and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity. There are no restrictions on the Company's capital. There were no changes in the Company's approach to capital management during the year.

14. Financial instruments and risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's management team approves and monitors the risk management processes, with guidance from the Audit Committee under policies approved by the Board of Directors. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As all of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institutions as determined by rating agencies. The Company does not believe its receivables are subject to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 13, in normal circumstances.

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

14. Financial instruments and risk management (continued)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and advances payable.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

As April 30, 2020, the Company did not hold any material interest bearing investments or liabilities and has no significant interest rate risk.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At April 30, 2020, the Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has limited foreign currency exposure.

iii) Price risk

The recoverability of the Company's property, plant and equipment assets is indirectly related to the market price of cannabis. The Company is not currently directly exposed to fluctuations in commodity prices as the Company currently has no production.

15. Segmented information

The Company operates in one industry segment, cultivation and sale of medical cannabis. The Company's property, plant and equipment at April 30, 2020 of \$13,333,013 (July 31, 2019 - \$12,671,359) is located in Canada.

16. Non-related consulting transactions

As at April 30, 2020, accounts payable and accrued liabilities of \$513,195 (July 31, 2019 – \$513,195) was owing to consultants on the BCSC Temporary Order dated November 26, 2018.

As at April 30, 2020 advances payable of \$100,000 (July 31, 2019 – \$100,000) is owing to above noted parties (Note 9).

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17. Supplemental disclosure of cash flow information

	April 30, 2020	April 30, 2019
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Non-cash transactions in investing and financing activities:		
Broker warrants	\$ 16,296	\$ -
Fair value transferred pursuant to options exercised	\$ 2,683	\$ -
Commitment to issue shares	\$ 5,000,000	\$ -
Deposit used on building	\$ 54,623	\$ -
Right-of-use assets	\$ 206,016	\$ -
Property, plant and equipment included in accounts payable and accrued liabilities	\$ 1,453,406	\$ -

18. Subsequent events

Subsequent to April 30, 2020, the Company:

- i) granted 50,000 incentive stock options to a consultant. The options are exercisable at a price of \$0.42 per share until May 4, 2025. The options vest over 3 years, 25% at grant date and 25% after every year.
- ii) issued 25,000 common shares for proceeds of \$8,000 pursuant to the exercise of options.