



BLISSCO CANNABIS CORP.

(formerly Trigen Resources Inc.)

Consolidated Financial Statements

For the Year Ended January 31, 2019

(In Canadian Dollars)

BLISSCO CANNABIS CORP.

(formerly Trigen Resources Inc.)

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Independent Auditor's Report

To the Shareholders of BlissCo Cannabis Corp. (formerly Trigen Resources Inc.):

Opinion

We have audited the consolidated financial statements of BlissCo Cannabis Corp. (formerly Trigen Resources Inc.) and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2019 and January 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$4,486,939 during the year ended January 31, 2019 and had negative cash flows from operations of \$4,079,354. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Andrea M. Brown.

Vancouver, British Columbia

May 31, 2019

MNP LLP

Chartered Professional Accountants

MNP LLP

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

	Notes	January 31, 2019	January 31, 2018
ASSETS			
Cash and cash equivalents		\$ 774,975	\$ 97,757
Restricted cash	5	50,000	-
Accounts receivable		185,233	129,906
Biological assets	6	96,825	-
Inventory	7	1,831,516	-
Prepaid expenses and deposits		33,398	29,335
		2,971,947	256,998
Property, plant and equipment	8	5,886,400	4,622,488
		\$ 8,858,347	\$ 4,879,486
LIABILITIES			
Accounts payable and accrued liabilities	13	\$ 499,262	\$ 759,761
Note payable	9	-	144,754
Loan payable	10	-	250,000
Mortgage payable-current	11	1,107,792	7,792
		1,607,054	1,162,307
Mortgage payable	11	-	1,100,000
		1,607,054	2,262,307
SHAREHOLDERS' EQUITY			
Share capital	12	9,541,505	2,964,995
Reserves	12	2,695,331	150,787
Deficit		(4,985,542)	(498,603)
		7,251,294	2,617,179
		\$ 8,858,347	\$ 4,879,486

Nature and Continuance of Operations (Note 1)

Commitments (Note 17)

Subsequent events (Note 19)

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

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)**Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

	Note	Year ended January 31,	
		2019	2018
Revenue			
Production sales		\$ -	\$ -
Production cost of sales		-	-
Gross profit (loss) before fair value adjustments		-	-
Unrealized gain on fair value of biological assets	6	621,868	-
Gross profit (loss)		621,868	-
Operating expenses			
General and administration		1,591,488	416,194
Selling and marketing		640,301	2,440
Share based compensation	12(f)	536,645	-
Amortization	8	264,769	-
		(3,033,203)	(418,634)
OPERATING LOSS BEFORE OTHER ITEMS		(2,411,335)	(418,634)
Other items			
Interest and other expenses	11	(86,519)	(29,976)
Listing expense	4	(1,881,085)	-
Loss on settlement	12(b)	(108,000)	-
		(1,453,736)	(29,976)
COMPREHENSIVE LOSS FOR THE YEAR		\$ (4,486,939)	\$ (448,610)
Net loss per common share			
-basic and diluted		\$ (0.09)	\$ (0.01)
Weighted average number of common shares outstanding			
-basic and diluted		49,028,792	53,717,902

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

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Note	Share Capital		Reserves			Total Shareholders' equity
		Number of shares	Amount	Options	Warrants	Deficit	
Balance at January 31, 2017		53,717,902	\$ 1	\$ —	\$ —	\$ (49,993)	\$ (49,992)
Shares issued for cash	12(b)(ix)	16,245,750	3,249,150	—	—	—	3,249,150
Share issuance costs		—	(284,156)	—	—	—	(284,156)
Increase in capital	18	—	—	144,548	—	—	144,548
Equity component of convertible debenture	9	—	—	6,239	—	—	6,239
Net loss for the year		—	—	—	—	(448,610)	(448,610)
Balance at January 31, 2018		69,963,652	\$ 2,964,995	\$ 150,787	\$ —	\$ (498,603)	\$ 2,617,179
Finder's shares	4	833,333	166,667	—	—	—	166,667
Fair value of finder's options	12(f)	—	(141,428)	141,428	—	—	—
Recapitalization transaction:							
Equity of Trigen	4, 12(b)	10,113,309	2,022,662	—	—	—	2,022,662
Shares issued for cash	12(b)	18,684,044	3,736,800	—	1,868,405	—	5,605,205
Share issuance costs	12(b)	—	(21,011)	—	—	—	(21,011)
Fair value of finders' warrants	12(f)	—	(5,480)	—	5,480	—	—
Exercise of warrants	12(e)	2,232,500	558,125	—	—	—	558,125
Exercise of convertible debenture	9	600,000	258,000	(6,239)	—	—	251,761
Exercise of stock options	12(b)	3,333	2,175	(1,175)	—	—	1,000
Share based compensation	12(f)	—	—	536,645	—	—	536,645
Net loss for the year		—	—	—	—	(4,486,939)	(4,486,939)
Balance at January 31, 2019		102,430,171	\$ 9,541,505	\$ 821,446	\$ 1,873,885	\$ (4,985,542)	\$ 7,251,294

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

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)**Consolidated Statements of Cash Flows**

(Expressed in Canadian Dollars)

	Year ended January 31,	
	2019	2018
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (4,486,939)	\$ (448,610)
Items not involving cash:		
Amortization	276,874	-
Share-based compensation	536,645	-
Listing expense	1,743,792	-
Interest expense	(993)	8,785
Unrealized gain on fair value of biological assets	(621,868)	-
Loss on settlement of convertible debt	108,000	-
	<u>(2,444,489)</u>	<u>(439,825)</u>
Changes in non-cash operating working capital items:		
Accounts receivable	(52,798)	(129,265)
Biological assets	512,938	-
Inventory	(1,831,516)	-
Prepaid expenses and deposits	15,520	(31,335)
Accounts payable and accrued liabilities	(279,009)	164,612
	<u>(4,079,354)</u>	<u>(435,813)</u>
Investing		
Acquisition of property, plant and equipment	(1,511,423)	(4,022,379)
	<u>(1,511,423)</u>	<u>(4,022,379)</u>
Financing		
Net cash acquired on reverse takeover	174,676	-
Proceeds from issuance of shares, net	5,605,205	2,964,994
Exercise of warrants	558,125	-
Exercise of options	1,000	-
Share issuance costs	(21,011)	-
Mortgage payable	-	1,100,000
Note payable	-	150,000
Loan payable	-	250,000
Shareholder loan advances	-	61,519
	<u>6,317,995</u>	<u>4,526,513</u>
Change in cash during the year	727,218	68,321
Cash, beginning of year	97,757	29,436
Cash and restricted cash, end of year	\$ 824,975	\$ 97,757

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

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

1. Nature and Continuance of Operations

BlissCo Cannabis Corp., formerly Trigen Resources Inc. (the “Company” or “BlissCo”) was incorporated on January 13, 1981 under the laws of British Columbia. On February 22, 2018, the Company changed its name from Trigen Resources Inc. (“Trigen”) to BlissCo Cannabis Corp. The Company was previously listed on the NEX board of the TSX Venture Exchange (the “Exchange”) and was delisted from the Exchange effective February 21, 2018. On March 2, 2018, the Company commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “BLIS”. On April 30, 2018, the Company commenced trading on the Frankfurt Stock Exchange under the symbol “GQ4B”. On September 21, 2018, the Company commenced trading on the OTCQB under the symbol “HSTRF”. The Company’s head office and principal address is Unit 2 – 20133 102 Avenue Langley, British Columbia, V1M 4B4. The records and registered office is Suite 2700, 700 West Georgia Street, Vancouver, BC, V7Y 1B8.

On February 23, 2018, the Company completed its acquisition of Bliss Co Holdings Ltd. (“BCH”), a private company incorporated under the laws of Canada. The Company constructed a cultivation facility with a focus on being a high-volume packager, processor and distributor of medical and non-medical cannabis. The Company earned its license to cultivate cannabis plants and prepare dried cannabis in March 2018 and its amended license to include the production of cannabis oil in August 2018. The Company received a comprehensive sales license from Health Canada to sell bulk cannabis and pre-packaged, labeled and tested cannabis products in November 2018 to medical patients and provinces. In December 2018, the Company submitted its application for a license amendment to sell cannabis oil. All of its assets and operations are located in Canada.

These consolidated financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The ability of the Company to carry out its business objectives is dependent on the Company’s ability to receive continued financial support from related parties, to obtain equity or debt financing, and to generate profitable operations in the future. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These consolidated financial statements do not include any adjustments to the recoverability or classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company has not generated any revenue from operations during the year. During the year ended January 31, 2019, the Company incurred a net loss of \$4,486,939 (2018 - \$448,610) and had a negative cash flow from operations of \$4,079,354. The Company’s ability to continue as a going concern is dependent upon its ability to achieve and maintain profitable operations and to generate funds therefrom. If the Company is unable to generate sufficient revenue from cannabis sales, it will cast significant doubt on the Company’s ability to continue as a going concern.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

2. Basis of Presentation and Critical Accounting Estimates, Judgments and Assumptions

The consolidated financial statements were approved and authorized for issuance on May 31, 2019 by the directors of the Company.

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB").

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except cash flow information.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary. All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation. Bliss Co Holdings Ltd. is a wholly-owned subsidiary of the Company.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and its subsidiary.

Critical Accounting Estimates, Judgments and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Biological assets and inventory

Biological assets, consisting of cannabis plants and agricultural produce consisting of cannabis, are measured at fair value less costs to sell to the point of harvest.

Determination of the fair values of the biological assets and the agricultural product requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

2. Basis of Presentation and Critical Accounting Estimates, Judgments and Assumptions (cont'd)

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any critical estimates and judgments related to the valuation of biological assets are also applicable for inventory. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the varying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

Deferred tax liabilities and assets

Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

Depreciation

Depreciation of property, plant and equipment is dependent upon estimates of useful lives based on management's judgment.

Stock based compensation and warrants

The fair value of share based compensation expenses are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return and the estimated rate of forfeiture of options granted.

Impairment of non-financial assets

The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, the useful lives of assets, definition of the cost generating unit and estimates used to measure impairment losses. The recoverable value of these assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended January 31, 2019 and 2018. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded that the Company has adequate ability to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

3. Significant Accounting Policies

Cash and cash equivalents

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at January 31, 2019 and 2018.

Inventory

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in harvesting, processing, packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of sales' on the consolidated statements of loss and comprehensive loss at the time that the related product is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line on the face of the consolidated statements of loss and comprehensive loss. Inventory is measured at lower of cost or net realizable value on consolidated statements of financial position and is determined using the weighted average costing method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Inventory purchased from other Licensed Producers, packaging and supplies are initially recorded at costs.

Biological assets

The Company's biological assets consist of cannabis plants, from the date of initial cutting from mother plants, which are not yet harvested. While the Company's biological assets are within the scope of IAS 41, *Agriculture*, the direct and indirect costs of biological 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 the building portion 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 sales' on the consolidated statements of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gain on changes in fair value of biological assets is recorded in a separate line on the face of the consolidated statements of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell and complete on the consolidated statement of financial position.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd)

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the Company's business model for managing the financial assets and terms of the related cashflow. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. The Company does not have any financial assets classified as FVTPL.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company does not have any financial assets classified as FVTOCI.

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Transaction costs are netted against financial assets and are accounted for using the effective interest method. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets carried at amortized cost includes cash and cash equivalents, accounts receivable and restricted cash.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

FVTPL – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Amortized cost – This category includes accounts payables and accrued liabilities, note payable, loan payable and mortgage payable, all of which are recognized at amortized cost.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to their fair value and any residual in the proceeds is allocated to the warrants.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Building	40 years
Building improvements	15 years
Furniture and equipment	5 years
Production equipment	2 to 10 years
Computer hardware	3 years
Website	2 years

An asset's residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted if appropriate.

The Company capitalizes borrowing costs on capital invested in projects under construction. Upon commencement of operations, capitalized borrowing costs, as a portion of the total cost of the asset, are depreciated over the estimated useful life of the related asset.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd)

Revenue

IFRS 15, *Revenue from contracts with customers* ("IFRS 15"), effective for annual periods beginning on or after January 1, 2018, specifies how and when to recognize revenue, based on a five-step model, and enhances relevant disclosures to be applied to all contracts with customers. To recognize revenue under IFRS 15, the Company applies the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as the Company satisfies a performance obligation.

In accordance with IFRS 15, revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. Payment is upon shipment and is recognized into revenue upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer.

Share based compensation

The Company applies the fair value method of accounting for stock option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, for each vesting instalment, over the vesting period of the options. Each instalment is valued separately, based on assumptions determined from historical reference and recognized as compensation expense over each instalment's individual tranche vesting period, which results in a corresponding increase in equity (reserves). Forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures in subsequent periods.

In situations where stock option awards are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share based payment. Otherwise, share based payments are measured at the fair value of goods or services received.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share based payment reserve is transferred to share capital.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. If the carrying value of the Company's property, plant and equipment exceeds its estimated recoverable value, an impairment loss is recognized to write the assets down to the recoverable value. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd)

The recoverable amount is the greater of value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred income tax. Income tax expense 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.

Deferred taxes are recorded using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that the substantive enactment or enactment occurs. Deferred tax assets are recognized only to the extent it is probable that future taxable profits will be available against which the asset can be utilized.

Per share amounts

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options, warrants and convertible debt are used to repurchase common shares at the prevailing market rate. Diluted earnings (loss) per share is equal to the basic earnings (loss) per share as the outstanding options and warrants are anti-dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd)

Adoption of new pronouncements

IFRS 9 – *Financial Instruments* (“IFRS 9”)

IFRS 9 was issued to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The Company adopted IFRS 9 retrospectively on February 1, 2018. IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The standard introduces additional charges relating to financial liabilities and amends the impairment model by introducing new “expected credit loss” model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The adoption of this standard did not have material impact to the Company’s consolidated financial statements. The Company’s policies and procedures surrounding the identification of credit risk and the recognition of credit losses comply with the requirements of this standard.

IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”)

The Company has adopted IFRS 15 on the required effective date of February 1, 2018. IFRS 15 was issued to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretation. IFRS 15 introduces a contract-based five-step model that applies to contracts with customers and two approaches for the recognition of revenue: at a point in time and over time. The Company has no contracts in place as at January 31, 2019, therefore no practical expedient to adoption is applied, no retrospective application is necessary and there is no impact to the Company from adoption.

New and revised IFRS issued but not effective

Standards issued but not yet effective up to the date of issuance of the Company’s consolidated financial statements are listed below except those which the Company does not expect any impacts on the consolidated financial statements.

IFRS 16 – *Leases* (“IFRS 16”)

On January 13, 2016, the IASB published a new standard, IFRS 16 *Leases*, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on or after February 1, 2019. The extent of the impact of adoption of IFRS 16 has not yet been determined.

IFRIC 23 – *Uncertainty Over Income Tax Treatments* (“IFRIC 23”)

IFRIC 23 is applicable retrospectively for annual reporting periods beginning on or after January 1, 2019 (being February 1, 2019 for the Company). IFRIC 23 clarifies how to recognize and measure income taxes where there is uncertainty over income tax treatments, based on whether it is probable that the relevant tax authority will accept the Company’s tax treatments. The Company does not expect its consolidated financial statements to be materially impacted by the adoption of IFRIC 23.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

4. Reverse Takeover of Bliss Co Holdings Ltd.

On February 23, 2018 ("RTO Date"), the Company completed a reverse takeover ("RTO") transaction with BCH (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of BCH. For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of BCH obtained control of BlissCo. However, as BlissCo does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2 *Share Based Payments* ("IFRS 2"). The accounting for this transaction resulted in the following:

- (i) The consolidated financial statements of the combined entity are issued under the legal parent, BlissCo, but are considered a continuation of the financial statements of the legal subsidiary, BCH.
- (ii) As BCH is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- (iii) Since the shares allocated to the former shareholders of BCH on closing the RTO is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of BlissCo acquired on closing was expensed in the consolidated statements of loss and comprehensive loss as a listing expense.

The fair value of the 10,113,309 common shares for all of the Company's issued and outstanding common shares was determined to be \$2,022,662 or \$0.20 per share.

- (iv) The fair value of all the consideration given and charged to listing expense was comprised of:

Fair value of the common shares at RTO Date	\$	2,022,662
Identifiable assets acquired – at February 23, 2018		
Cash	\$	174,676
Receivable		2,528
Prepaid expenses and deposits		19,583
Note receivable		250,000
Trades payable		(1,250)
		<u>445,537</u>
Unidentified assets acquired		
Listing expense		<u>1,577,125</u>
Total net identifiable assets and transaction costs	\$	<u>2,022,662</u>

- (v) The Company paid a finder's fee of 833,333 common shares at the completion of the RTO. Accordingly, the Company recorded a fair value of \$166,667 as a listing expense. The Company incurred additional listing expenses of \$137,293.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

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5. Restricted Cash

Restricted cash consist of cash held as security against the Company's corporate credit card account.

6. Biological Assets

	January 31, 2019	January 31, 2018
Balance, beginning of year	\$ –	\$ –
Purchases of seeds and clones	29,550	–
Production costs capitalized	250,858	–
Unrealized gain on changes in fair value of biological assets	621,868	–
Transferred to inventory upon harvest	(805,451)	–
Balance, end of year	\$ 96,825	\$ –

The Company measures its biological assets at their fair value less costs to sell and complete. This is determined using a model which estimates the expected harvest yield per plant applied to the estimated price per gram less cost to sell and complete.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- **Selling price per gram** – determined wholesale fair market value for the period of future sales
- **Stage of growth** – represents the weighted average number of weeks out of the 13-week growing cycle that biological assets have reached as of the measurement date
- **Yield by plant** – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
- **Processing costs** – represents the expected harvest, drying and curing, testing, post-harvest overhead allocation and packaging

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets.

	January 31, 2019	10% change as at January 31, 2019
Selling price per gram	\$2.50 - \$8.29	\$ 53,279
Stage of growth	13 weeks	42,362
Yield per plant (average)	106 grams	51,207

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a cannabis plant that is 50% through its 13 weeks growing cycle would be ascribed approximately 50% of its harvest date expected fair value less remaining processing and selling costs.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

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Year Ended January 31, 2019

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6. Biological Assets (cont'd)

During the year ended January 31, 2019, the Company harvested 170,758 grams of dried cannabis and trim. As of January 31, 2019, it was expected that the Company's biological assets would yield approximately 55,971 grams of dried cannabis and trim when harvested.

7. Inventory

The following is a breakdown of inventory at January 31, 2019:

	Capitalized cost	Fair value adjustment	January 31, 2019
Harvested cannabis	\$ 412,247	\$ 574,796	\$ 987,043
Cannabis purchased	601,825	—	601,825
Cannabis oil	83,469	—	83,469
Packaged cannabis	24,125	—	24,125
Supplies and consumables	135,054	—	135,054
Balance, end of period	\$ 1,256,720	\$ 574,796	\$ 1,831,516

The Company had no inventory as at January 31, 2018.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

8. Property, Plant and Equipment

	Land	Building	Building Improvements	Furniture and equipment	Production equipment	Computer hardware	Website	Total
Cost:								
At January 31, 2017	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	–
Additions	1,656,037	815,660	2,043,908	30,592	59,370	12,471	4,450	4,622,488
At January 31, 2018	1,656,037	815,660	2,043,908	30,592	59,370	12,471	4,450	4,622,488
Additions	–	–	998,587	21,754	431,181	72,342	4,817	1,528,681
At January 31, 2019	\$ 1,656,037	\$ 815,660	\$ 3,042,495	\$ 52,346	\$ 490,551	\$ 84,813	\$ 9,267	\$ 6,151,169
Amortization:								
At January 31, 2017 and 2018	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	–
Amortization	–	18,692	182,107	7,255	36,792	15,675	4,248	264,769
At January 31, 2019	\$ –	\$ 18,692	\$ 182,107	\$ 7,255	\$ 36,792	\$ 15,675	\$ 4,248	\$ 264,769
Net book value:								
At January 31, 2018	\$ 1,656,037	\$ 815,660	\$ 2,043,908	\$ 30,592	\$ 59,370	\$ 12,471	\$ 4,450	\$ 4,622,488
At January 31, 2019	\$ 1,656,037	\$ 796,968	\$ 2,860,388	\$ 45,091	\$ 453,759	\$ 69,138	\$ 5,019	\$ 5,886,400

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

9. Note Payable

On January 8, 2018, the Company entered into a convertible promissory note in the principal amount of \$150,000 bearing an interest at a simple rate of 10% per annum (effective interest rate of 20.5%) from the date of the advancement until maturity on June 7, 2018 to a Company controlled by a director of the Company. The note payable and any unpaid accrued interest may be converted into common shares of the Company which is calculated by the quotient of the outstanding note payable and unpaid interest on the date of the conversion and the conversion price of \$0.25 per common share.

At inception, \$143,761 was allocated to the liability portion of this compound financial instrument and \$6,239 was allocated to the equity portion using the residual method.

During the year ended January 31, 2019, the promissory note was converted into 600,000 common shares (Note 12(b)) of the Company in full settlement of the note payable and \$6,239 of the equity portion was allocated to share capital.

10. Loan Payable

On January 15, 2018, the Company entered into a loan agreement with Trigen in the principal amount of \$250,000 bearing interest at a rate of LIBOR plus 1% per annum. The loan payable was due on the earliest of April 15, 2018 and thirty business days from the date of demand. Upon completion of the RTO, this loan became an intercompany loan without interest and has been eliminated on consolidation.

11. Mortgage Payable

On August 9, 2017, Wind Farms Ltd. provided a mortgage of \$1,100,000 for the acquisition of the facility in Langley. The mortgage is secured by the inventory, property plant and equipment, machinery, chattel paper, documents of title, instruments, money, licenses, crops, securities and other investment property and bears interest rate at 8.5% per annum with a two-year term. As at January 31, 2019, interest of \$7,792 (2018 - \$7,792) was accrued and included in mortgage payable. During the year ended January 31, 2019, the Company incurred \$93,504 (2018 - \$29,976) in mortgage interest. Future repayments are as follows:

Fiscal Year	Interest	Principal
2020	\$48,761	\$1,100,000

12. Share Capital

(a) Authorized:

Unlimited common shares without par value
Unlimited Class A preference shares with a par value of \$10
Unlimited Class B preference shares with a par value of \$50

(b) Issued – common shares

During the year ended January 31, 2019, the Company completed the following transactions:

- (i) On February 23, 2018, in accordance with the RTO (Note 4), 10,113,309 common shares of BlissCo were issued at \$0.20 a share for a total of \$2,022,662 to the shareholders of BCH.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

12. Share Capital (cont'd)

(b) Issued – common shares (cont'd)

- (ii) BlissCo completed a private placement financing of 18,684,044 units on a post-consolidation basis at a price of \$ 0.30 per unit for aggregate gross proceeds of \$5,605,205 (the "Private Placement"). Each Unit is comprised of one common share ("Share") and one Share purchase warrant ("Warrant"). Each Warrant has a fair value of \$0.10 and entitles the holder to acquire one Share at an exercise price of \$0.60 for a period of two years provided that the Company may accelerate the expiry date by providing 20 days' notice in the event that the Shares have a volume weighted average price of \$0.80 or higher for a period of 10 consecutive trading days. All securities issued under the financing were issued on a post-consolidated basis and are subject to a four-month hold period in accordance with applicable securities laws.

The Company paid a cash finder's fees of \$19,955 and other share issuance costs of \$1,056 in connection to this private placement.

- (iii) Arm's length finders received an aggregate of 833,333 post-consolidation common shares with a fair value of \$166,667 of BlissCo (Note 4).
- (iv) 600,000 common shares were issued on the conversion of convertible debentures held by a related party. The convertible debenture was valued at \$150,000 (Note 9). At the time of conversion, the share price of BlissCo was \$0.43 which resulted in the company incurring a loss of \$108,000.
- (v) 2,132,500 common shares were issued on the exercise of 2,132,500 share purchase warrants at a price of \$0.25 per share.
- (vi) 3,333 common shares were issued on the exercise of 3,333 stock options at a price of \$0.30 per share. In addition, a reallocation of \$1,175 from reserves to share capital was recorded on the exercise of these options.
- (vii) 100,000 common shares were issued on the exercise of 100,000 share purchase warrants at a price of \$0.25 per share.

During the year ended January 31, 2018, the Company completed the following transactions:

- (viii) On July 20, 2017, the Company completed a stock split, where one Class A common shares was subdivided at a rate of 537,179.02 Class A common shares. All data on earnings per share and share capital shown in these consolidated financial statements and note disclosures reflect the impact of this stock split.
- (ix) On July 21, 2017, the Company completed a private placement, issuing 16,245,750 units at \$0.20 per share for gross proceeds of \$3,249,150. Each unit consisted of one Class A common share of the Company and one common share purchase warrant. Each warrant shall be exercisable to acquire one additional common share of the Company at an exercise price of \$0.25 per share until July 21, 2020. The share purchase warrants were determined to have a \$nil value based on the warrants residual value. In connection with this private placement, the Company paid consulting fees of \$221,655 and incurred other share issuance costs of \$62,501.

Each subscriber was issued the right to receive, for no additional consideration, that number of additional common shares which was equal to 20% of the total number of units subscribed for in the offering in the event that a liquidity event did not occur prior to the liquidity deadline. This right has expired with no further share issuances.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

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12. Share Capital (cont'd)

(c) Escrow shares

54,217,902 common shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 10% of the escrowed shares were released from escrow on February 23, 2018. The remaining 40,802,315 shares held within escrow will be released over a period of 36 months.

(d) Reserve

The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(e) Stock options and warrants

The Company maintains a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the CSE policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options as determined by the Board of Directors.

As at January 31, 2019, the Company had stock options and warrants outstanding enabling holders to acquire the following:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price (\$)	Number	Weighted Average Exercise Price (\$)
Outstanding, January 31, 2017	-	-	-	-
Granted	16,245,750	0.25	-	-
Outstanding, January 31, 2018	16,245,750	0.25	-	-
Granted	18,750,561	0.60	8,276,923	0.31
Exercised	(2,232,500)	0.25	(3,333)	0.30
Cancelled	-	-	(2,041,666)	0.31
Forfeited	-	-	(113,334)	0.31
Outstanding, January 31, 2019	32,763,811	0.44	6,118,590	0.31
Number currently exercisable	32,763,811	0.44	1,024,162	0.31

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

12. Share Capital (cont'd)

(e) Stock options and warrants (cont'd)

As at January 31, 2019, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Options	July 21, 2020	1,108,275	\$ 0.25	1.47 years
	February 22, 2022	3,046,667	\$ 0.30	3.06 years
	June 7, 2021	370,000	\$ 0.33	2.35 years
	July 5, 2021	285,000	\$ 0.38	2.43 years
	September 17, 2021	80,000	\$ 0.41	2.63 years
	October 23, 2028	800,000	\$ 0.32	2.73 years
	October 23, 2021	300,000	\$ 0.32	2.73 years
	November 4, 2021	128,648	\$ 0.37	2.76 years
		6,118,590	\$ 0.30	5.08 years
Warrants	February 23, 2020	66,517	\$ 0.60	1.07 years
	February 23, 2020	18,684,044	\$ 0.60	1.06 years
	July 21, 2020	14,013,250	\$ 0.25	1.47 years
		32,763,811	\$ 0.45	1.24 years

Stock option and warrant activities during the year ended January 31, 2019:

- (i) On February 23, 2018, the Company issued 5,095,000 incentive stock option to directors, officers, employees and consultants for the purchase of up to 5,095,000 common shares of the Company at an exercise price of \$0.30 per share on or before February 22, 2022 with a vesting provision over a 3 year period. For the year ended January 31, 2019, 2,001,666 of the incentive stock options issued to a director and a consultant were cancelled and 43,334 of the incentive stock options issued to three consultants were forfeited. 3,333 stock options were exercised during the year.
- (ii) On June 8, 2018, the Company issued incentive stock options at an exercise price of \$0.33 per share to the following:
 - a. 370,000 stock options to employees expiring June 7, 2023 with a vesting provision over a 3 year period.
 - b. 80,000 stock options to an investor relations consultant expiring June 7, 2019 with a vesting provision over a 1 year period. For the year ended January 31, 2019, 40,000 of the incentive stock options issued were cancelled and 40,000 of the incentive stock options were forfeited.
- (iii) On July 6, 2018, the Company issued incentive stock options at an exercise price of \$0.38 per share to the following:
 - a. 260,000 stock options to an employee and a consultant expiring July 5, 2021 with a vesting provision over a 3 year period.
 - b. 25,000 stock options to an investor relations consultant expiring July 5, 2019 with a vesting provision over a 1 year period.
- (iv) On September 18, 2018, the Company issued 80,000 incentive stock options to an employee at an exercise of \$0.41 per share expiring September 17, 2021 with a vesting provision over 3 year period.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

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12. Share Capital (cont'd)

(e) Stock options and warrants (cont'd)

- (v) On October 24, 2018, the Company issued 300,000 stock options at an exercise price of \$0.32 to employees expiring October 23, 2021 with a vesting provision over a 3 year period.
- (vi) On October 24, 2018, the Company issued incentive stock options at an exercise price of \$0.32 per share to the following:
 - a. 800,000 stock options to an officer expiring October 23, 2028 with a vesting provision of 100,000 options vested on date of grant and the balance over a 3 year period.
 - b. 30,000 stock options to an investor relations consultant expiring October 23, 2021 with a vesting provision over a 3 year period. For the year ended January 31, 2019, 30,000 of the incentive stock options issued were forfeited.
- (vii) On November 5, 2018, the Company issued 128,648 incentive stock options at an exercise price of \$0.37 per share to employees expiring on November 4, 2021 with a vesting provision over 3 year period.
- (viii) In connection with the private placement, the Company issued 18,684,044 common share purchase warrants at a price of \$0.60 per share expiring February 23, 2020 (Note 12(b)). A fair value of \$1,868,405 was recorded in reserves on these warrants. In addition, the Company issued to a finder 66,517 common share purchase warrants at a fair value of \$0.10. Each finder warrant is exercisable for one common share of the Company at an exercise price of \$0.60 per share until February 23, 2019. These securities are subject to a four-month hold period in accordance with applicable securities laws expiring June 24, 2019.
- (ix) In connection to the private placement completed by the Company, 1,108,725 finder's options were issued to a company for its efforts in raising funds. Each option is exercisable for one common share of the Company at an exercise price of \$0.25 expiring July 21, 2020. These securities are subject to a four-month hold period in accordance with applicable securities laws expiring November 22, 2020.

(f) Share based compensation

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

- (i) Recognized \$536,645 in share-based compensation for options granted.
- (ii) Recognized \$141,428 in share issuance costs on finder's options in reserves.
- (iii) Recognized \$5,480 in share issuance costs on finder's warrants in reserves.

The fair value of each option grant and finder's warrants is calculated using the Black-Scholes Option Pricing Model using the following estimates:

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

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12. Share Capital (cont'd)

(f) Share based compensation (cont'd)

January 31, 2019	Finder's Warrants	Stock Options
Risk free rate	1.73%	2.03%
Expected dividend yield	0%	0%
Expected stock price volatility	125%	123%
Weighted average expected life	1 year	4 years
Weighted average fair value	\$0.08	\$0.18

13. Related Party Transactions

Key management remuneration:

A Company director is a key management personnel who has the authority and responsibility for planning, directing and controlling the activities of the Company.

During the year ended January 31, 2019, the remuneration of the key management personnel was as follows:

	January 31, 2019	January 31, 2018
Consulting fees	\$ 162,295	\$ 107,128
Salaries	\$ 63,173	\$ -
Share based compensation	\$ 263,223	\$ -

During the year, the Company granted 2,480,000 stock options to the CEO and director of the Company of which 2,000,000 stock options were cancelled (Note 12(e)). The CFO of the Company was granted 800,000 stock options. Current and former directors of the Company were granted 1,630,000 options during the year

Other related party transactions and balances:

- (a) The Company owes \$nil (2018 - \$67,892) non-interest bearing payable upon demand to the CEO and director of the Company included in accounts payable.
- (b) The Company paid \$56,425 (2018 - \$nil) to the spouse of the CEO and director of the Company for marketing consulting fees.
- (c) On March 1, 2018, the Company entered into an administrative agreement with Varshney Capital Corp. ("VCC"), a company controlled by a former common director. This agreement was terminated on December 31, 2018. Pursuant to this agreement, the Company paid \$68,000 (2018 - \$nil) for administrative fees to VCC.
- (d) 600,000 common shares were issued to a director's company for the conversion of its note payable of \$150,000 (Note 9).
- (e) \$796 (2018 - \$nil) owing to the spouse of the CEO and director of the Company included in accounts payable.

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14. Income Taxes

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 27.00% and the Company's effective income tax expense is as follows:

	2019		2018
Earnings (loss) for the year	\$ (4,486,939)	\$	(488,610)
Combined federal and provincial rate	27%		15.7%
Expected income tax (recovery)	(1,211,474)		(70,432)
Change in statutory, foreign tax, foreign exchange rates and others	-		(88,927)
Permanent difference	647,835		-
Share issue cost	(5,673)		(44,612)
Change in unrecognized deductible temporary differences	569,312		203,971
Total income tax expense (recovery)	\$ -	\$	-

Significant components of the deferred income tax assets (liabilities) are as follows:

	2019		2018
Deferred tax assets (liabilities)			
Share issue costs	\$ 51,000	\$	61,000
Property and equipment	71,000		-
Inventory	(168,000)		-
Non-capital losses	833,000		150,000
	787,000		211,000
Unrecognized deferred tax assets	(787,000)		(211,000)
Deferred tax assets (liabilities)	\$ -	\$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences at January 31, 2019 and 2018 are as follows:

	2019		2018
Share issue costs	\$ -	\$	230,776
Non-capital losses	2,916,096		556,333
Total unrecognized temporary differences	\$ 2,916,096	\$	787,109

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

Year Ended January 31, 2019

(Expressed in Canadian Dollars)

14. Income Taxes (cont'd)

As at January 31, 2019, the Company has a non-capital loss for income tax purposes of approximately \$3,083,266 (2018 - \$556,333) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	2019 Financials	Total
2034	\$ 1,150	\$ 1,150
2035	25,271	25,271
2036	14,137	14,137
2037	13,515	13,515
2038	502,166	502,166
2039	2,527,027	2,527,027
Total	\$ 3,083,266	\$ 3,083,266

The Company has not recorded deferred tax assets related to these unused non-capital loss carryforwards as it is not probable that future taxable profits will be available to utilize these loss carryforwards.

15. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations.. The risk for cash and restricted cash is mitigated by holding these instruments with highly rated Canadian financial institutions. Accounts receivable primarily consists of sales tax recoverable from the Canadian Revenue Agency. The maximum credit risk exposure associated with cash and cash equivalents, restricted cash and accounts receivable is limited to the total carrying value.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at January 31, 2019, the Company had a cash balance of \$774,975 (2018 - \$97,757) to settle current liabilities of \$1,607,053 (2018 - \$1,162,307). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits and loan payable. The interest rate risk on bank deposits is insignificant as the deposits are short term. A 10% change in the LIBOR rates will result in an insignificant impact on the consolidated statements of loss and comprehensive loss. The mortgage payable and note payable are subject to fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities.

(b) Foreign currency risk

As at January 31, 2019 and 2018, the Company's expenditures are in Canadian dollars. Any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

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Year Ended January 31, 2019

(Expressed in Canadian Dollars)

15. Financial Instruments (cont'd)

The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange rate risk.

Fair value hierarchy

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels.

The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at January 31, 2019 and 2018, cash and restricted cash are assessed to be Level 1 instruments.

The fair value of accounts receivable, accounts payable and mortgage payable is equal to its carrying value due to its short-term maturity.

16. Capital Management

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

The Company includes equity, comprised of share capital and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources for its operations and to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company monitors capital on the basis of maintaining sufficient cash flow to comply with financial obligations. During the year, the Company's strategy, which was unchanged from the prior year, was to issue sufficient additional shares from treasury to meet all such obligations.

The Company is not subject to any externally imposed capital requirements.

BLISSCO CANNABIS CORP. (formerly Trigen Resources Inc.)

Notes to the Consolidated Financial Statements

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17. Commitments

On February 14, 2018, the Company entered into a supply agreement with The Supreme Cannabis Company, Inc. ("Supreme Cannabis") to purchase a minimum of 1,000 kilograms of premium dried cannabis flower for \$6,000 per kilogram by June 30, 2019. As at January 31, 2019, the Company has only purchased 48 kilograms.

In the prior year, the Company entered into a sublease agreement with Vandana Ventures Inc. The Company the term of the lease is from March 1, 2018 to November 30, 2020 to sublease premises for \$2,000.

18. Supplemental Cash Flow

	January 31, 2019	January 31, 2018
Inventory in accounts payable and accrued liabilities	52,920	-
Cash interest paid	93,500	29,976
Property, plant and equipment in accounts payable and accrued liabilities	17,258	595,109
Finder's warrants and options	183,293	-
Equity component of convertible debenture	6,239	-
Shareholder loan	-	144,548

19. Subsequent Events

Subsequent to January 31, 2019, the Company:

- (a) On February 19, 2019, the Company issued 155,000 incentive stock options at an exercise price of \$0.40 per share to employees expiring on February 18, 2024 with a vesting provision over 3 year period.
- (b) On February 22, 2019, the Company issued 210,000 incentive stock options at an exercise price of \$0.38 per share to a director of the Company expiring on August 22, 2021 vesting immediately.
- (c) On March 5, 2019, the Company issued 50,000 incentive stock options at an exercise price of \$0.35 per share to a director of the Company expiring on March 4, 2024 with a vesting provision over 3 year period.
- (d) On April 1, 2019, the Company entered into a promissory note agreement with Supreme Cannabis in the principal amount of \$500,000 bearing an interest rate of 10% per annum until the principal amount has been paid in full in which interest will be payable on the termination date.
- (e) On May 14, 2019, the Company entered into a receivables purchase and purchase order financing agreement with Trichome Financial Corp. ("Trichome"), which comprised of the Factoring Facility (the "Factoring Facility") and Purchase Order Financing ("PO Financing"), up to \$4,500,000 with the following sub-limits: i) \$2,500,000 for the purposes of factoring receivables, and ii) \$2,000,000 for the purposes of providing credit for purchase orders. The Factoring Facility bears an interest rate of 2.25% per month (0.075% per day) on the gross amount of the invoice inclusive of all taxes and surcharges outstanding, to be calculated daily. The PO Financing bears an interest rate of 3.25% per month (0.108% per day) on the amount of credit advanced by Trichome, to be calculated daily.

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19. Subsequent Events (cont'd)

- (f) On May 14, 2019, the Company entered into a mortgage agreement with Trichome in the principal amount of \$1,500,000 less an amount equal to \$127,500 to be deposited into the interest reserve account, a set-up fee payable to Trichome of \$30,000 and Trichome's expenses of \$62,397 and bearing an interest rate of 8.5% per annum with a maturity date on May 14, 2020.
- (g) On May 16, 2019, the Company entered into a definitive arrangement agreement (the "Arrangement Agreement") with Supreme Cannabis. Pursuant to the Arrangement Agreement, Supreme Cannabis will acquire all of the issued and outstanding shares of the Company not already owned by Supreme Cannabis. Supreme Cannabis will issue 0.24 common shares of Supreme Cannabis for each common share of the Company (the "Exchange Ratio").
- (h) From February 1, 2019 to the financial statement release date, 4,802,500 warrants were exercised for gross proceeds of \$1,200,625 and 159,999 stock options were exercised for gross proceeds of \$48,000.