

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Numinus Wellness Inc. (formerly Rojo Resources Ltd.)

Opinion

We have audited the accompanying consolidated financial statements of Numinus Wellness Inc. (formerly Rojo Resources Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 audit 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 audit 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 audit, 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, 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 IFRS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

December 29, 2020

NUMINUS WELLNESS INC.**(formerly Rojo Resources Ltd.)**

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended August 31,

	Note	2020	2019
Revenue	11	\$ 881,178	\$ 107,478
Cost of Revenue		(793,131)	(359,952)
Gross profit (loss)		88,047	(252,474)
Expenses			
General and administration	10	(4,132,564)	(3,318,804)
Share-based compensation	9	(1,876,601)	(1,950,596)
Sales and marketing		(906,130)	(189,734)
Depreciation	8	(431,610)	(539,453)
Research and development		(188,491)	(148,234)
Scientific research and experimental tax credit		170,138	-
Loss before other items		(7,277,211)	(6,399,295)
Interest expense and other finance cost		(143,529)	(51,474)
Interest and other finance income		8,731	-
Gain on debt settlement		35,340	3,705
Other income (expenses)	8	60,107	(80,638)
Inventory impairment	7	(5,089)	(303,861)
Penalty for cancellation of contract	7	19,247	(503,714)
Listing expense	4	(2,306,044)	-
Loss before income taxes		(9,608,448)	(7,335,277)
Income tax recovery (expense)	12	7,884	66,408
Loss and comprehensive loss for the year		\$ (9,600,564)	\$ (7,268,869)
Loss per share, basic and diluted		\$(0.15)	\$(0.10)
Weighted average number of common shares outstanding, basic and diluted		63,812,242	72,087,255

See accompanying notes to the consolidated financial statements.

NUMINUS WELLNESS INC.**(formerly Rojo Resources Ltd.)**

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended August 31,

	Note	2020	2019
Cash flows from operating activities			
Net loss		\$ (9,600,564)	\$ (7,268,869)
Items not affecting cash:			
Depreciation	8	613,418	539,453
Share-based compensation		1,876,601	1,950,596
Interest and interest accretion		47,524	-
(Gain)/loss on debt settlement		(35,340)	-
(Gain)/loss on disposal of assets		(40,362)	80,638
Special warrants issued for services		-	60,000
Write-off of prepaid expenses		-	151,713
Listing expense	4	2,306,044	-
Penalty for cancellation of contract		(19,247)	200,000
Unrealized gain on marketable securities		(1,500)	-
Inventory impairment		5,089	303,861
		(4,848,337)	(3,982,608)
Changes in non-cash working capital			
Accounts receivable		(172,530)	(107,974)
Inventory		1,402	(266,514)
Prepaid expenses		(251,610)	(175,217)
Accounts payable and accrued liabilities		203,359	716,366
Due to related parties		(287,746)	55,410
Cash used in operating activities		(5,355,462)	(3,760,537)
Cash flows from investing activities			
Purchase of property and equipment		(35,201)	(874,607)
Proceeds from sale and leaseback		-	121,782
Cash acquired on acquisition of Numinus	1	61,341	-
Cash acquired on reverse acquisition	4	9,355	-
Transaction costs		(164,190)	-
Cash used in investing activities		(128,695)	(752,825)
Cash flows from financing activities			
Issuance of common shares, net of share issue costs		6,134,752	1,268,266
Proceeds from issuance of special warrants		-	3,371,627
Proceeds from warrants exercised		332,122	-
Proceeds from options exercised		280,000	-
Lease payment		(265,549)	(187,401)
Lease buyout		(62,883)	-
Loans		420,000	-
Proceeds from CERB		40,000	-
Repayment of loans		(20,000)	-
Shareholder notes		50,000	-
Loan to Numinus	1	(50,000)	-
Due from related parties		-	88,049
Due to related parties		163,057	(79,165)
Cash generated from financing activities		7,021,499	4,461,376
Change in cash during the year		1,537,342	(51,986)
Cash, beginning of year		89,987	141,973
Cash, end of year		\$ 1,627,329	\$ 89,987

Supplemental cash flow information (note 18)

The accompanying notes are an integral part of the consolidated financial statements

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

	Note	Share Capital			Subscriptions Receivable	Obligations to Issue Equity	Deficit	Total
		Common Shares	Amount	Reserves				
Balance, August 31, 2018		71,313,340	\$ 5,505,590	\$ 2,353,895	\$ 25,000	\$ -	\$ (6,084,802)	\$ 1,799,683
Shares issued for cash – private placement		2,647,897	1,323,947	-	(25,000)	-	-	1,298,947
Special Warrants issued for cash		-	-	3,838,721	-	-	-	3,838,721
Issuance costs - Warrants		-	(11,000)	11,000	-	-	-	-
Issuance costs - cash		-	(45,681)	(407,094)	-	-	-	(452,775)
Shares forfeited		(20,000,000)	(1,834,435)	1,834,435	-	200,000	-	200,000
Share-based compensation		-	-	1,950,596	-	-	-	1,950,596
Loss for the year		-	-	-	-	-	(7,268,869)	(7,268,869)
Balance, August 31, 2019		53,961,237	\$ 4,938,421	\$ 9,581,553	\$ -	\$ 200,000	\$ (13,353,671)	\$ 1,366,303
Reverse acquisition	4	6,856,543	1,714,136	177,965	-	-	-	1,892,101
Shares issued for private placement		24,630,000	6,315,000	-	-	-	-	6,315,000
Shares issuance cost		-	(201,529)	21,281	-	-	-	(180,248)
Shares forfeited		(7,575,595)	(729,530)	729,530	-	-	-	-
Shares issued for debt		1,100,000	279,500	16,940	-	(200,000)	-	96,440
Issued for acquisition of Numinus	1	2,000,000	500,000	-	-	-	-	500,000
Shares issued for special warrants		7,677,537	3,838,721	(3,838,721)	-	-	-	-
Shares issued for special warrants - penalty		2,457,150	614,289	-	-	-	-	614,289
Shares issued on settlement of debt		2,320,000	580,000	-	-	-	-	580,000
Exercise of stock options		1,150,000	446,519	(166,519)	-	-	-	280,000
Exercise of warrants		674,500	341,176	(9,054)	-	-	-	332,122
Share-based compensation		600,000	300,000	304,080	-	-	-	604,080
Loss for the year		-	-	-	-	-	(9,600,564)	(9,600,564)
Balance, August 31, 2020		95,851,372	\$ 18,936,703	\$ 6,817,055	\$ -	\$ -	\$ (22,954,235)	\$ 2,799,523

See accompanying notes to the consolidated financial statements.

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

Numinus Wellness Inc. (formely Rojo Resources Ltd.) (the “Company”) was incorporated on October 26, 1964 under the Laws of British Columbia. The Company is traded on the TSX Venture Exchange (the “Exchange” or the “TSX-V”) under the symbol NUMI. The Company’s registered and records office is located at Suite 400 - 725 Granville Street, Pacific Centre, Vancouver, British Columbia, Canada V7Y 1G5.

The Company is involved in the cannabis and integrative health industries, and operates through two key divisions:

- Salvation Botanicals; and
- Numinus Health

Salvation Botanicals provides analytical services which include conducting independent analytical services, full spectrum testing and consulting, and developing proprietary methods and protocols to ensure accuracy and reliability using customized equipment.

Numinus Health operates a center located in Vancouver, British Columbia, where professional therapists and integrative health professionals guide clients in the use of supportive therapies and technologies to heal, connect and grow with a focus on treating mental health and substance abuse.

The Company currently holds the following licenses:

- Controlled Drugs and Substances Dealer's Licence, enabling the Company to test and analyze psychedelics such as Trimethoxyphenethylamine (“mescaline”), methylenedioxyamphetamine (“MDMA”), Dimethyltryptamine (“DMT”), and Psilocybin.
- Analytical Testing License under the Cannabis Act and Cannabis Regulations allowing for the analytic testing of cannabis for quality assurance purposes.
- Industrial Hemp License issued in accordance with the Cannabis Act and the Industrial Hemp Regulations allowing for:
 - (i) the possession of grain for the purpose of processing it,
 - (ii) the sale and distribution of seed and grain, and,
 - (iii) the exportation of seed and grain.

During the year ended August 31, 2020, the Company received approval from Health Canada to amend the Company’s existing dealer’s license under the Controlled Drug and Substances Act (Canada) to allow the Company researchers to conduct research to standardize the extraction of psilocybin from mushrooms.

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Acquisition of Salvation Botanicals

On October 2, 2019, the Company entered into a Definitive Arrangement Agreement (the “Arrangement Agreement”) with Salvation Botanicals Ltd. (“Salvation”), whereby the Company acquired all of the outstanding securities of Salvation in exchange for the issuance of securities of the Company (the “Transaction”) (Note 4).

In accordance with the amended and restated Arrangement Agreement dated March 9, 2020 entered into between the Company and Salvation, pursuant to the Transaction, the Company changed its name from “Rojo Resources Ltd” to “Numinus Wellness Inc.” and consolidated its issued and outstanding common shares on the basis of 2:1 (the “Consolidation”). The Company’s common shares were listed on the Exchange on May 20, 2020.

Acquisition of Numinus Health

On December 31, 2019, the Company entered into a Share Exchange Agreement with Numinus Health Corp. (“Numinus”) to acquire 100% of the issued and outstanding share capital of Numinus in exchange of 2,000,000 common shares of the Company. Numinus is a therapeutic and integrative health company intending to expand its current offering to include client guidance in the therapeutic use of psychedelics in accordance with regulatory approvals. The Company acquired Numinus to expand its ability to deliver additional health and wellness solutions to the market.

The acquisition was accounted for as an asset acquisition as Numinus did not meet the definition of a business under IFRS 3. The related operating results are included in the accompanying consolidated statements of operations, changes in shareholders’ equity and statement of cash flows commencing from the date of acquisition.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of the assets acquired and liabilities assumed. The excess of the consideration over the net assets acquired was expensed as share-based compensation expense.

	December 31, 2019	
Consideration paid through the issuance of 2,000,000 common shares	\$	500,000
Fair value of net assets acquired		
Cash		61,341
Amounts receivable		42,518
Prepaid expenses		60,000
Property and equipment		359,241
Accounts payable and accrued liabilities		(277,105)
Right-of-use liability		(230,126)
Loans from Salvation		(50,000)
Shareholder notes payable		(421,952)
Convertible debenture		(316,438)
		<u>(772,521)</u>
Excess of consideration over net assets acquired	\$	<u>1,272,521</u>

The acquisition of Numinus is a related party transaction as the Company’s CEO, Payton Nyquvest, holds a controlling interest of Numinus.

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Pursuant to the acquisition, Numinus Wellness Inc. changed its name from “Numinus Wellness Inc.” to “Numinus Health Corp. on May 13, 2020.

These consolidated financial statements have been prepared with the assumption that the Company 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 Company's ability to continue in the normal course of operations is dependent on its ability to raise equity financing or through the sale of its assets at amounts favourable to the Company. Subsequent to August 31, 2020, completed a short form prospectus offering of 18,400,000 units at a price of \$0.25 per unit, and a bought deal financing of 22,059,000 units at a price of \$0.68 per unit (note 19). With the funds received from the subsequent financings, management estimates that there is sufficient working capital to continue operations for the next twelve months.

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 results of operations at this time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Basic of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These consolidated financial statements were authorized for issue by our Board of Directors on December 29, 2020.

b) Basic of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

c) Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the following wholly owned subsidiaries:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
Salvation Botanicals Ltd.	Canada	100%	CAD	Cannabis Testing
Salvation Bioscience Inc.	Canada	100%	CAD	Inactive
Numinus Health Corp.	Canada	100%	CAD	Health & Wellness
1050086 BC Ltd.	Canada	100%	CAD	Food Production
1134337 BC Ltd.	Canada	100%	CAD	Holding Company

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation (continued)

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. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss. Associated transaction costs are expensed when incurred.

d) Functional and presentation currency

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"). The functional currency of the Company and its subsidiaries is included within Note 2(c).

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

e) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. 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 liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

The following table shows the classification of the Company's financial instruments:

Financial assets/liabilities	Classification
Cash	FVTPL
Accounts receivable	Amortized cost
Marketable securities	FVTPL
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Debt	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at fair value through profit of loss

Financial assets and liabilities at FVTPL Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

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

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

NUMINUS WELLNESS INC.

(formerly Rojo Resources Ltd.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

f) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Revenue recognition

In accordance with IFRS 15, Revenue from Contracts with Customers, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services. The Company applies the following five-step analysis to determine whether, how much and when revenue is recognized:

1. Identify the contract with the 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; and
5. Recognize revenue when or as the Company satisfies a performance obligation.

The Company derives its revenues from two main sources: (a) lab testing services; and (b) naturopathic services. Service revenues, including lab testing and naturopathic services are recognized when the services are performed, net of estimated discounts or other deductions, including uncollectible amounts. Payment is typically due on standard commercial terms and is recognized into revenue upon the satisfaction of the performance obligation.

NUMINUS WELLNESS INC.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Cost of revenues

Cost of revenue includes costs directly incurred to provide service and includes salaries and wages of lab and clinic personnel, depreciation of the lab and related equipment, and other materials and supplies consumed in providing the services.

i) Inventory

Inventories of finished goods, work-in-process, raw materials and supplies and consumables are valued initially at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

j) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computers	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

Assets under construction are not depreciated until available for their intended use.

k) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued on their market value of the shares as of the date of issuance.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and they were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserve.

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(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payments

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured, and is recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Any previously recorded share-based payment included in the reserves account is transferred to share capital on exercise of options. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance.

m) Provisions

Provisions are liabilities that are uncertain in timing or amount. We record a provision when and only when:

- i. We have a present obligation (legal or constructive) as a result of a past event;
- ii. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- and
- iii. A reliable estimate can be made of the amount of the obligation

Constructive obligations are obligations that derive from our actions where:

- i. By an established pattern of past practice, published policies or a sufficiently specific current statement, we have indicated to other parties that we will accept certain responsibilities; and
- ii. As a result, we have created a valid expectation on the part of those other parties that we will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted or reversed to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision is accreted during the period to reflect the passage of time. This accretion expense is included in finance costs in the consolidated statements of income (loss).

n) Income taxes

Income tax expense comprises current and deferred income tax expense and 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 tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Income taxes (continued)

enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o) Earning (loss) per share

Basic earnings (loss) per share ("EPS") is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because of the effects of potentially dilutive common shares would be anti-dilutive.

p) Government assistance

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be met. When the grant relates to an expense item, it is recognized as a deduction against the related expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. Government assistance received relating to expenses of future periods is deferred and deducted against the related expenditures as incurred.

q) New standards, interpretations and amendments

IFRS 16 - Leases

On September 1, 2019, the Company adopted the new accounting standard IFRS 16. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease ("IFRIC 4"), the accounting for onerous lease liabilities which were previously measured under IAS 37 Provisions ("IAS 37") and other related IFRS interpretations. IFRS 16 prescribes a single recognition and measurement model for lease contracts and requires the recognition of a right-of-use asset and corresponding lease liability for most leases, including subleases.

The Company elected to adopt IFRS 16 using the prescribed modified retrospective approach (simplified method) by recognizing an opening adjustment for the Company's discounted right-of-use assets and corresponding lease liabilities as at September 1, 2019. Accordingly, there was no opening adjustment to retained earnings and the comparative 2019 statements of comprehensive income and cash flows have not been restated to reflect the accounting presentation prescribed under IFRS 16.

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For the years ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New standards, interpretations and amendments (continued)

The Company elected to apply the following recognition exemptions and practical expedients, as described under IFRS 16:

- i) recognition exemption of short-term leases;
- ii) recognition exemption of low-value leases;
- iii) application of a single discount rate to a portfolio of leases with similar characteristics on transition;
- iv) exclusion of initial direct costs from the measurement of the right-of-use assets upon transition;
- v) application of hindsight in determining the applicable lease term at the date of transition; and
- vi) election to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component

The adoption of the new standard resulted in the recognition of a Right-of-Use Asset of \$172,001 recorded in aggregate with the Company's property and equipment. A corresponding Lease obligation of \$172,001 is included as a liability in the consolidated statement of financial position. The asset will be amortized over the term of the remaining lease period and the liability will be discounted at the rate of 10%.

	August 31, 2019 (previous IFRS)	Adoption of IFRS 16	September 1, 2019 (new IFRS)
Property and equipment	\$ 2,631,627	172,001	\$ 2,803,628
Current lease obligations	(145,981)	(47,218)	(193,199)
Long-term lease obligations	(99,742)	(124,783)	(224,525)

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 – Uncertainty over Income Tax Treatments (the "Interpretation") provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. We adopted the Interpretation in our consolidated financial statements for the annual period beginning. The adoption of the Interpretation did not impact the consolidated statements.

r) Future accounting changes

The Company does not believe any recently issued, but not yet effective IFRS standards that have been issued by the IASB will have a material impact on the Company's consolidated financial statements.

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For the years ended August 31, 2020 and 2019

3. AREAS OF JUDGEMENT AND ESTIMATION UNCERTAINTY

In preparing our consolidated financial statements, we make judgements in applying our accounting policies. The judgements that have the most significant effect on the amounts recognized in our consolidated financial statements are outlined below. In addition, the preparation of consolidated financial statements in conformity with IFRS requires the use of estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. The information about significant areas of estimation uncertainty and judgement considered by management in preparing these consolidated financial statements is as follows:

a) Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

b) Share-based payments

Management measures share-based payments expense and warrants using Black-Scholes pricing model that incorporates key estimates such the rate of forfeiture of options and warrants granted/issued, the expected life of the option and warrants, the volatility of the value of the Company's common shares and the risk-free interest rate are used.

c) Asset acquisition versus business combination

Management had to apply judgement with respect to whether the acquisitions of Numinus Health Inc., and the reverse takeover transaction with Rojo Resources were considered an asset acquisition or business combination. The assessments required management to assess the inputs, processes and outputs of the companies acquired at the time of acquisition. Pursuant to the assessment, both transactions were considered to be asset acquisitions (Note 1 & Note 4).

d) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, there is a reasonably probability that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

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4. REVERSE ACQUISITION

As described in Note 1, effective May 15, 2020, the Company and Salvation completed the Transaction which constituted a reverse acquisition ("RTO") through the issuance of 63,890,235 common shares and 12,198,801 share purchase warrants of the Company.

The Transaction resulted in Salvation's members obtaining control of the combined entities by obtaining control of governance, and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entities.

As a result of the Transaction, Salvation obtained control of the Company and is considered to have acquired the Company. The Transaction constituted a reverse acquisition of the Company by Salvation and has been accounted for as a reversed acquisition transaction in accordance with the guidance provided in IFRS 2, Share-based Payments and IFRS 3, Business Combinations. As the Company did not qualify as a business in accordance with the definition of IFRS 3, the Transaction does not constitute a business combination. Rather, it is treated as an issuance of common shares by Salvation for the net assets of the Company and its public listing, with Salvation as continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction.

For accounting purposes, Salvation is treated as the accounting parent (legal subsidiary) and the Company as the accounting subsidiary (legal parent). The fair value of consideration paid by Salvation, net of transaction costs, less the fair value of net assets of the Company acquired by Salvation constitutes the listing expense and has been recorded in the statement of loss and comprehensive loss. These consolidated financial statements reflect the assets, liabilities and operations of Salvation since its incorporation and of the Company from May 15, 2020.

The Transaction was measured at the fair value of the shares that Salvation would have had to issue to the shareholders of the Company, being 6,856,543 common shares, to give the shareholders of the Company the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Salvation acquiring the Company.

	May 15, 2020
Consideration paid on RTO	
6,856,543 common shares	\$ 1,714,136
Less: Fair value of net assets acquired	
Cash	9,355
Marketable securities	6,000
Amounts receivable	21,017
Prepaid expenses	4,874
Plant and equipment	249
Due from related parties ¹	418,133
Accounts payable and accrued liabilities	(95,092)
	<u>1,349,600</u>
Transaction costs	
Common shares ²	614,289
Fair value of replacement warrants ³	177,965
Legal expenses	164,190
	<u>956,444</u>
Listing expense	<u>\$ 2,306,044</u>

¹ Includes \$400,000 payable from the Company which was advanced during the year ended August 31, 2020 and was eliminated on consolidation upon completion of the RTO.

² 2,457,150 Common shares issued as penalty for special warrants holder upon completion of the RTO.

³ Fair value of Rojo's warrants upon completion of the RTO (Note 9).

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5. ACCOUNTS RECEIVABLE

	August 31, 2020		August 31, 2019
Trade receivables	\$ 213,855	\$	65,463
Input tax credit receivables	124,267		3,630
Income tax receivable	-		60,168
Other receivables (Note 8)	203,413		-
	\$ 541,535	\$	129,261

6. PREPAID EXPENSES

	August 31, 2020		August 31, 2019
Marketing	\$ 345,554	\$	17,336
Rent	14,365		15,333
Lease	6,906		-
Others	50,529		44,606
	\$ 417,354	\$	77,275

7. INVENTORY

	August 31, 2020		August 31, 2019
Supplies and consumables	\$ -	\$	6,491

During the year-ended August 31, 2019, the Company recorded an inventory impairment charge of \$303,861 on raw hemp purchased. The Company determined the hemp purchased did not meet the necessary standards for further processing of the materials as at August 31, 2019. The Company paid a penalty fee of \$503,714 to the supplier to terminate the hemp supply contract including an obligation to issue equity valued at \$200,000 (issued during the year ended August 31, 2020 – Note 9).

During the year ended August 31, 2020, the Company was served with a Statement of Claim which alleged a breach of a settlement agreement in connection with the hemp supply contract. During the year-ended August 31, 2020, the Company reached a settlement agreement in connection with the claim for a total of \$330,000 of which \$100,000 was paid during the year-ended August 31, 2020 and \$230,000 will be paid subsequent to the year-ended August 31, 2020, and is recorded in accounts payable and accrued liabilities as at August 31, 2020. The Company recorded a gain of \$19,247 in connection with the settlement related to a reversal of accrued interest.

During the year-ended August 31, 2020, the Company recorded inventory impairment of \$5,089 on obsolete inventory.

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Notes to the Consolidated Financial Statements

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8. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Equipment	Computer	Furniture and Fixture	Right of use Asset - Equipment	Right of Use Assets - Premises	Construction in Progress	Total
Cost								
Balance, August 31, 2019	\$ 570,475	\$ 1,804,600	\$ 207,734	\$ 96,220	\$ 652,626	\$ -	\$ 473,177	\$ 3,804,832
Adoption of IFRS 16	-	-	-	-	-	172,001	-	172,001
Acquisitions (note 1 and 4)	74,385	21,920	4,498	28,561	-	230,126	-	359,490
Additions	4,400	29,840	-	961	-	-	-	35,201
Write off	-	-	(2,878)	(28,332)	-	-	-	(31,210)
Disposal/return ¹	-	(194,897)	-	-	-	-	-	(194,897)
Transfer and adjustment	-	22,751	-	-	-	-	(22,751)	-
Balance, August 31, 2020	\$ 649,260	\$ 1,684,214	\$ 209,354	\$ 97,410	\$ 652,626	\$ 402,127	\$ 450,426	\$ 4,145,417
Accumulated depreciation								
Balance, August 31, 2019	\$ 323,072	\$ 550,899	\$ 83,037	\$ 49,373	\$ 166,824	\$ -	\$ -	\$ 1,173,205
Depreciation ²	136,319	250,849	38,002	17,399	97,160	73,689	-	613,418
Disposal ¹	-	(47,939)	-	-	-	-	-	(47,939)
Write off	-	-	(2,711)	(28,252)	-	-	-	(30,963)
Balance, August 31, 2020	\$ 459,391	\$ 753,809	\$ 118,328	\$ 38,520	\$ 263,984	\$ 73,689	\$ -	\$ 1,707,721
Net book value at August 31, 2020	\$ 189,869	\$ 930,405	\$ 91,026	\$ 58,890	\$ 388,642	\$ 328,438	\$ 450,426	\$ 2,437,696

¹ During the year ended August 31, 2020, the Company disposed of equipment with a net book value of \$146,958 for proceeds of \$187,567 and recognized a gain of \$40,609. The total proceeds from the disposal, \$187,567 are included in accounts receivable as of August 31, 2020. The Company also wrote off equipment with a net book value of \$247 that was no longer in use. Gain or loss on disposal of assets is included in other income (expense) of consolidated statements of loss and comprehensive loss.

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8. PROPERTY AND EQUIPMENT (continued)

	Leasehold Improvements	Equipment	Computer	Furniture and Fixture	Equipment under Finance Lease ⁵	Construction in Progress	Total
Cost							
Balance, August 31, 2018	\$ 482,841	\$ 1,212,153	\$ 47,457	\$ 54,579	\$ 321,268	\$ 962,637	\$ 3,080,935
Additions	135,327	13,257	10,950	2,507	-	712,566	874,607
Disposals ²	(47,693)	(79,467)	-	-	-	(15,025)	(142,185)
Reclass – Lease & buyback ³	-	(130,307)	-	-	121,782	-	(8,525)
Reclassification ³	-	788,964	149,327	39,134	209,576	(1,187,001)	-
Balance, August 31, 2019	\$ 570,475	\$ 1,804,600	\$ 207,734	\$ 96,220	\$ 652,626	\$ 473,177	\$ 3,804,832
Accumulative depreciation							
Balance, beginning of year	\$ 221,775	\$ 392,427	\$ 23,817	\$ 24,937	\$ 45,374	\$ -	\$ 708,330
Depreciation	120,347	214,000	59,220	24,436	121,450	-	539,453
Disposals ²	(19,050)	(42,497)	-	-	-	-	(61,547)
Reclass – Lease & buyback	-	(13,031)	-	-	-	-	(13,031)
Balance, August 31, 2019	\$ 323,072	\$ 550,899	\$ 83,037	\$ 49,373	\$ 166,824	\$ -	\$ 1,173,205
Net book value August 31, 2019	\$ 247,403	\$ 1,253,701	\$ 124,697	\$ 46,847	\$ 485,802	\$ 473,177	\$ 2,631,627

² During the year ended August 31, 2019, the Company wrote-off equipment with a book value of \$80,638.

³ During the year ended August 31, 2019, \$1,187,001 was reclassified from 'Construction in Progress' to 'Equipment', 'Computers' and 'Equipment under Finance Leased'. Additionally, the Company entered into a sale and leaseback transaction for equipment with a net book value of \$117,276 for proceeds of \$121,782. This equipment has been reclassified from 'Equipment' to 'Assets Under Finance Lease'.

⁴ Equipment under Finance Lease includes laboratory and analytical equipment.

9. SHARE CAPITAL AND RESERVES

The Company has unlimited authorized common shares with no par value.

As at August 31, 2020, 32,067,008 shares (2019 – nil) were held in escrow.

During the year ended August 31, 2020, the Company completed a private placement for gross proceeds of \$315,000. These funds were raised through the issuance of 630,000 units at a price of \$0.50 per unit with each unit consisting of one common share and one-half share purchase warrant entitling the holder to acquire one additional share at a price of \$0.75 for a period of 18 months from the RTO date.

During the year ended August 31, 2020, the Company completed a private placement for gross proceeds of \$5,745,000. These funds were raised through the issuance of 22,980,000 units at a price of \$0.25 per unit with each unit consisting of one common share and one-half share purchase warrant entitling the holder to acquire one additional share at a price of \$0.50 for a period of two years. In connection with the closing of the private placement, the Company issued 356,146 warrants to certain agents with a fair value of \$21,281 and paid share issuance costs of \$180,248.

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9. SHARE CAPITAL AND RESERVES (continued)

During the year ended August 31, 2020, the Company completed a private placement of 1,020,000 units at a price of \$0.25 per unit for gross proceeds of \$255,000 with each unit consisting of one common share and one-half of one share purchase warrant exercisable for two years from the RTO date at an exercise price of \$0.50.

During the year ended August 31, 2020, the Company received from various shareholders, an aggregate of 7,575,595 common shares to be returned to treasury and cancelled. No consideration was paid for these shares. In connection with the forfeiture of shares, a total value of \$729,530 was transferred from share capital to reserves which represents the original grant date fair value of the forfeited shares.

During the year ended August 31, 2020, the Company issued 600,000 common shares on the vesting of restricted shares, with a value of \$300,000 to a director and officer of the Company per the terms of their employment agreement, of which \$150,000 was recorded as share-based payment expense during the year ended August 31, 2019 and \$150,000 was recorded as share based payment expense during the year ended August 31, 2020. On issuance of the shares the full value of \$300,000 was transferred from reserves to share capital.

During the year ended August 31, 2020, the Company issued 800,000 units valued at \$200,000 as part of a contract termination penalty (Note 7). Each unit comprises of one common share and one share purchase warrant entitling the holder to acquire one additional share at \$0.50 for a period of 18 months.

During the year ended August 31, 2020, the Company issued 2,000,000 common shares of the Company in exchange for all the issued and outstanding share of Numinus (see Note 1).

During the year ended August 31, 2020, the Company issued 2,457,150 units of Penalty Warrants as described in Note 4. Terms of the Special Warrants require the Company's common shares to be approved for listing on either the TSX-V or the Canadian Securities Exchange ("CSE") within 200 days following the closing of the private placement (the "Qualification Date"). In the event the Qualification Date has not occurred, each unexercised Special Warrant will thereafter entitle the holder thereof to receive upon the automatic exercise thereof, at no additional cost, one-and-one-tenth (1.10) Units (instead of one Unit) and thereafter at the end of each additional thirty (30) days, each Special Warrant will be exercisable for an additional 0.02 of a Unit. Each Penalty Warrant entitled the holder to one common share and one-half share purchase warrant; each purchase warrant entitles the holder to acquire one additional share at a price of \$0.75 for a period of 18 months.

Upon completion of RTO, the Company converted the 7,677,537 Special Warrants and 2,457,150 Penalty Warrants into 10,134,687 common shares and issued 5,067,343 share purchase warrants of the Company. Each purchase warrant entitles the holder to acquire one additional share at a price of \$0.75 for a period of 18 months.

During the year ended August 31, 2020, the Company issued 2,320,000 common shares and 660,000 warrants valued \$580,000 to settle shareholders loans and convertible notes, resulting in a loss on debt settlement of \$2,384.

During the year ended August 31, 2020, the Company issued 300,000 common shares valued at \$79,500 and 150,000 warrants valued at \$16,940 for the settlement of \$94,500 historical trade payables (the "Debt Settlement"), resulting in a loss on debt settlement of \$1,940. Each warrant is exercisable for a period of two years from issuance at a price of \$0.50 per warrant, subject to 30 day accelerated expiry if the volume weighted average closing price of the Company's common shares on the TSX-V is greater than \$0.75 per common share for a period of ten consecutive trading days.

During the year ended August 31, 2020, the Company issued 1,150,000 common shares of the Company on the exercise of options with a weighted average exercise price of \$0.24 per share. The Company also reclassified a fair value of \$166,519 from reserves to share capital on the exercise of these options.

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9. SHARE CAPITAL AND RESERVES (continued)

During the year ended August 31, 2020, the Company issued an aggregate of 674,500 common shares on the exercise of warrants with a weighted average exercise price of \$0.49 per share. The Company also reclassified a fair value of \$9,054 from reserves to share capital on the exercise of these warrants.

During the year ended August 31, 2019, the Company completed a private placement for gross proceeds of \$1,323,947. These funds were raised through the issuance of 2,647,893 units at a price of \$0.50 per unit with each unit consisting of one common share and one-half share purchase warrant entitling the holder to acquire one additional share at a price of \$0.75 for a period of 18 months. In relation to the completion of the private placement, the Company paid cash finder's fees of \$45,681 and issued 91,362 warrants with a fair value of \$11,000. Each warrant entitles the finder to purchase one share for a period of 18 months from the closing date (subject to acceleration provisions) at the offering price.

During the year ended August 31, 2019, the Company also completed a private placement for gross proceeds of \$3,838,721 through the issuance of 7,677,443 Special Warrants ("Warrant") at a price of \$0.50 per Special Warrant. Each Special Warrant holder is entitled to exchange the Special Warrant, at no additional costs, for one common share of the Company and one-half share purchase warrant (the "Unit"). Each warrant shall entitle the holder to purchase one common share of the Company at an exercise price of \$0.75 at any time up to 18 months after the closing of the offering. In relation to the issuance of the Special Warrants, the Company paid cash finder's fees of \$407,093 and issued 614,195 finder's warrants with a fair value of \$74,750. Each warrant entitles the finder to purchase one share for a period of 18 months from the closing date (subject to acceleration provisions) at the offering price.

Terms of the Special Warrants require the Company's common shares to be approved for listing on either the TSX-V or the Canadian Securities Exchange ("CSE") within 200 days following the closing of the private placement (the "Qualification Date"). In the event the Qualification Date has not occurred, each unexercised Special Warrant will thereafter entitle the holder thereof to receive upon the automatic exercise thereof, at no additional cost, one-and-one-tenth (1.10) Units (instead of one Unit) and thereafter at the end of each additional thirty (30) days, each Special Warrant will be exercisable for an additional 0.02 of a Unit.

During the year ended August 31, 2019, the Company received 20,000,000 common shares from a former director to be returned to treasury. No consideration was paid for these shares.

Warrants

The changes in warrants during the years ended August 31, 2020 and 2019 are as follows:

	2020		2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	5,906,504	\$0.71	3,877,000	\$0.69
Issued	23,527,509	\$0.59	2,029,504	\$0.75
Exercised	(674,500)	\$0.49	-	-
Outstanding, end of year	28,759,513	\$0.59	5,906,504	\$0.71

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9. SHARE CAPITAL AND RESERVES (continued)

The following table summarizes share purchase warrants outstanding as at August 31, 2020:

Expiry Date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (months)
December 18, 2020 ¹	3,241,520	\$0.50	3.6
April 2, 2021	812,500	\$0.38	7.1
November 15, 2021	790,000	\$0.48	14.7
November 15, 2021	11,259,301	\$0.75	14.7
May 15, 2022	11,846,192	\$0.50	20.7
July 17, 2022	660,000	\$0.50	22.8
July 24, 2022	150,000	\$0.50	23.1
Total	28,759,513	\$0.59	16.0

¹ 400,000 expired unexercised subsequent to August 31, 2020.

On May 15, 2020, the Company issued 4,179,020 replacement warrants for Rojo's warrants under the Transaction (Note 4) 150,000 debt settlement warrants and 356,146 finders' warrants in connection with private placement. The fair value of these warrants were estimated at the issuance date using the Black-Scholes option pricing model with the following assumptions:

	Rojo's warrants	Finders' warrants	Debt settlement warrants
Risk-free interest rate	0.28%	0.28%	0.27%
Expected life	0.6 years	1 years	2 years
Annualized volatility	112%	112%	111%
Dividend rate	0%	0%	0%
Weighted average fair value per warrant	\$0.04	\$0.06	\$0.11

Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company. The maximum number of common shares issuable under the Plan cannot exceed 10% of the issued and outstanding common shares of the Company as at the date of shareholder approval. Options granted must be exercised no later than ten years from the date of grant or any such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TSX-V on the last trading day preceding the grant date or the minimum price as per the TSX-V. Any Options issued to an investor relation consultant optionee must vest in stages over at least a twelve month period with no more than 25% of such Options vesting in any three month period.

The changes in stock options during the years ended August 31, 2020 and 2019 are as follows:

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,058,000	\$0.26	14,275,230	\$0.27
Granted	3,750,000	\$0.25	5,388,000	\$0.63
Exercised	(1,150,000)	\$0.24	-	-
Expired/cancelled	(596,000)	\$0.47	(8,905,230)	\$0.28
Forfeited	-	-	(5,700,000)	\$0.59
Outstanding, end of year	7,062,000	\$0.24	5,058,000	\$0.26

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9. SHARE CAPITAL AND RESERVES (continued)

The following table summarizes stock options outstanding and exercisable as at August 31, 2020:

Expiry Date	Number of Options	Options Exercisable	Weighted Average Exercise Price	Weighted Average Life (months)
June 1, 2021	504,000	504,000	\$0.16	9.1
May 15, 2022	2,752,000	688,000	\$0.16	20.7
May 15, 2022	3,150,000	562,500	\$0.25	20.7
June 17, 2022	100,000	100,000	\$0.395	21.8
August 12, 2022	20,000	20,000	\$0.50	23.7
January 1, 2023	288,000	288,000	\$0.50	28.4
February 13, 2023	200,000	200,000	\$0.50	29.9
September 1, 2023	48,000	48,000	\$0.50	36.5
Total	7,062,000	2,410,500	\$0.23	20.6

The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2020	2019
Risk-free interest rate	0.28%	1.85%
Expected life of options	2 years	6 years
Annualized volatility	112%	75%
Dividend rate	0%	0%
Weighted average fair value per option	\$0.145	\$0.31

During the year ended August 31, 2020, the Company recorded \$1,876,601 in share-based payments expense (\$1,950,596 – August 31, 2019). \$1,272,521 related to excess of consideration over net assets acquired on Numinus acquisition (Note 1), \$150,000 related to management compensation and \$341,685 related to options vested during the period.

10. GENERAL AND ADMINISTRATION EXPENSES

General and administrative expenses consist of the following:

	2020	2019
Salary and wages	\$ 1,873,466	\$ 1,615,674
Professional and consulting fees	1,587,568	727,902
Office and miscellaneous	671,530	975,228
	\$ 4,132,564	\$ 3,318,804

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11. OPERATING SEGMENTS

Operating results of operating segments are reviewed by our Chief Operating Officer (“COO”) to make decisions about resources to be allocated to the segments and to assess their performance. The Company considers each individual operating entity as a reportable operating segment for financial reporting purposes.

As at August 31, 2020 and August 21, 2019, all non-current assets were located in Canada and all revenues were earned within Canada

The following is a summary of the reported amounts of income from operations, operating income (loss), income (loss) before income taxes and the carrying amount of assets and liabilities by operating segment:

Year ended August 31, 2020	Salvation Botanicals	Numinus Health	Corporate	Total
Revenue	\$ 791,504	\$ 89,674	\$ -	\$ 881,178
Cost of Revenue	(682,020)	(111,111)	-	(793,131)
Gross Profit	109,484	(21,437)	-	88,047
Sales and marketing	(5,280)	(29,115)	(871,735)	(906,130)
Research and development	(2,250)	(37,391)	(148,850)	(188,491)
Scientific research and experimental credit	170,138	-	-	170,138
Loss before other items	(2,430,169)	(960,866)	(3,886,176)	(7,277,211)
Loss before income tax	(3,014,054)	(939,766)	(5,654,628)	(9,608,448)

As at August 31, 2020				
Total assets	\$ 2,677,732	\$ 1,911,797	\$ 534,029	\$ 5,123,558
Non-current assets	2,124,661	326,940	-	2,451,601
Total liabilities	1,060,315	510,569	753,151	2,324,035

During the year ended August 31, 2019, the Company operated in a single reportable segment, providing analytical testing and other laboratory services.

12. INCOME TAXES

The provision for income taxes differs from the amount that would be computed by applying the expected tax rate to the Company’s net loss. The differences between such expected income tax expense and the amount actually recorded are as follows:

	2020	2019
Loss before income taxes for the year	\$ (9,608,448)	\$ (7,268,869)
Expected income tax (recovery)	(2,594,000)	(812,000)
Change in statutory, foreign tax, foreign exchange rate and other	(941,884)	(8,406)
Permanent differences	1,002,000	189,000
Share issuance costs	(72,000)	(50,000)
Adjustment to prior year provision versus statutory tax returns	30,000	18,000
Change in unrecognized deductible temporary	2,568,000	597,000
Income tax expense (recovery)	(7,884)	(66,406)
Current income tax expense (recovery)	(7,884)	(66,406)
Deferred tax expense	-	-

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12. INCOME TAXES (CONTINUED)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2020	2019
Deferred tax assets (liabilities)		
Property and equipment	\$ (194,000)	\$ (26,000)
Lease obligations	101,000	-
Non-capital losses	93,000	26,000
Net deferred tax liability	\$ -	\$ -

The significant components of the Company's temporary differences, and unused tax losses that have not been included on the consolidation statement of financial position are as follows:

	2020	Expiry date range	2019	Expiry date range
Temporary Differences				
Property and equipment	\$ 1,304,000	No expiry date	\$ 922,000	No expiry date
Share issuance costs	492,000	2040 to 2044	375,000	2040 to 2043
Allowable capital losses	86,000	No expiry date	50,000	No expiry date
Non-capital losses available for future periods	11,496,000	2029 to 2040	6,458,000	2033 to 2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

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

The fair value of cash and marketable securities are measured using Level 1 inputs. The carrying values of accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

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13. FINANCIAL RISK MANAGEMENT (continued)

Financial instrument risk management

The Company's exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and trade receivables. The carrying amount of these financial assets represent the maximum credit exposure.

Cash is deposit with major Canadian financial institutions, and management believes the exposure to credit risk with respect to these institutions is not significant.

The Company is exposed to credit risk inherent in its trade receivables which include credit exposures to customers and their outstanding trade receivables balances. The maximum credit risk associated with trade receivables is equal to the carrying amount.

Liquidity risk

As at August 31, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities which have contractual maturities within one year, debt, and due to related parties which have no fixed terms of repayment. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Company completed financings subsequent to the year ended August 31, 2020 (note 19) which provides the Company with sufficient liquidity to meet its obligations as they become due.

Price risk

Price risk is the risk of variability in fair value due to movements in shareholders' equity or market prices. The Company has completed several private placement financings, and therefore it is exposed to price risk with respect to equity prices set in its offerings which may impact the level of funds raised and number of common shares issued in those financings.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at August 31, 2020, the Company had no financial instruments denominated in any other currency than the Canadian dollar and as such, the Company does not consider itself exposed to significant currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. It is management's opinion that the Company is not exposed to significant interest rate risk.

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13. FINANCIAL RISK MANAGEMENT (continued)

Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support any business transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund its operations. In order to carry out any planned business transaction and to continue to support the general administrative activities, the Company will spend its existing working capital and raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2020. The Company is not subject to externally imposed capital requirements.

14. COMMITMENTS AND CONTINGENCIES

Lease obligations

		2020		2019
Current portion of lease obligations	\$	105,880	\$	145,981
Long term portion of lease obligations		275,748		99,742
Total Lease Obligations ⁽¹⁾	\$	381,628	\$	245,723

⁽¹⁾ Lease obligations have interest rates between 3% and 22% per annum and with terms of 10 years

Future lease payments are as follows:

	Years				
	0- 1	2-3	4-5	6-10	Total
Lease Payments	\$195,197	\$141,546	\$78,204	\$146,290	\$561,232

A continuity of lease obligations is as follows:

		2020		2019
Opening balance	\$	245,723	\$	255,933
Adjustments due to IFRS 16		172,001		-
Additions		230,126		121,782
Lease buyout		(62,883)		-
Interest		62,210		55,409
Payments		(265,549)		(187,401)
Ending Balance		381,628		245,723
Less: current portion		(105,880)		(145,981)
Non-current lease obligation		275,748		99,742

During the year ended August 31, 2020, the Company expensed short term lease of \$71,403.

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14. COMMITMENTS AND CONTINGENCIES (continued):

Notice of Claim

The Company was served with a Notice of Claim dated December 23, 2019 which has been filed in the Supreme Court of British Columbia naming the Company as the defendant. The Notice of Claim alleges the wrongful termination of the former CEO/CFO and unpaid termination benefits of \$360,000.

The Company believes the lawsuit is without merit and has filed a response accordingly. No provision has been made by the Company with regards to the Notice of Claim.

Governmental Regulation

The Company's operations are subject to various laws, regulations and guidelines by federal, provincial and municipal governmental authorities, including Health Canada, relating to the testing, manufacture, management, transportation, storage, transfer and disposal of cannabis and other controlled drugs and substances. These include the Cannabis Act (Canada), the Controlled Drugs and Substances Act (Canada), and the regulations thereto. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining and maintaining all regulatory approvals, where necessary, for the production and sale of its products and services. Failure to comply with the laws and regulations applicable to its operations could lead to possible sanctions including the revocation or imposition of additional conditions on existing licenses; the suspension or expulsion from a particular market or jurisdiction; the suspension of its key personnel; and, the imposition of fines and censures. The Company has had no regulatory infractions recorded and there are no pending actions against the Company from any regulatory bodies, and it is management's belief that the Company is fully compliant with all applicable laws and regulations. The Company cannot predict the time required to secure all appropriate regulatory approvals for future products and services, or the extent of new or ongoing testing and documentation that may be required by such governmental authorities. Any delays in obtaining, or failure to obtain or maintain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the future business, results of operations and financial condition of the Company. Any changes to the existing regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way, could adversely affect the Company's revenues. With federal legalization of cannabis and the resulting changes in Canadian cannabis and psychedelic regulations and markets, future revenues will be derived primarily from purchasing and selling Industrial Hemp biomass for extraction of cannabinoids, as well as the expansion of hemp-based food products and testing services. As such, historical revenues are not indicative of future revenue sources.

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15. RELATED PARTY TRANSACTIONS

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 executive and non-executive members of the Company's Board of Directors and Chief Executive Officer, Chief Operating Officer, Chief Finance Officer and Chief Strategy Officer.

Remuneration attributed to key management personnel can be summarized as follows:

	2020	2019
Management and consulting fees	\$ 331,500	\$ 370,041
Salaries and benefits	406,824	-
Share-based compensation	223,305	1,626,257
Total	\$ 961,629	\$ 1,996,298

The following table provides the total amount of transactions entered into by the Company with related parties during the years ended August 31, 2020 and 2019, and the outstanding balances as at August 31, 2020 and 2019.

For the year ended August 31,	2020	2019
Transactions with other related parties:		
Salaries and benefits to family member of Chief Executive Officer	\$ 29,574	\$ -
Consulting fees to family member of Chief Executive Officer	224	-
Loss on debt settlement to family member of Chief Executive Officer	795	-
Interest on convertible debts to family member of Chief Executive Officer	3,726	-

	2020	2019
Due from related parties:		
Receivable from companies controlled by former directors of the Company	\$ -	\$ 43,766
Receivable from shareholders	-	101,158
Total Due from Related Parties	\$ -	\$ 144,924

Due to related parties:		
Payable to companies controlled by former directors of the Company	\$ -	\$ (250,861)
Payable to Chief Executive Officer of the Company	171,952	-
Payable to companies controlled by a director or officer of the Company	-	(28,245)
Payable to shareholders	-	(54,881)
Total Due to Related Parties	\$ 171,952	\$ (333,987)

All balances are unsecured, non-interest bearing and with no fixed terms of repayment.

During the year ended August 31, 2020, the Company completed the acquisition of Numinus Health where the Company's CEO a controlling interest (Note 1).

During the year ended August 31, 2020, the Company issued 1,000,000 common shares with a fair value of \$250,000 to the Company's CEO to settle outstanding debt of \$250,000. No gain or loss was recognized on the transaction.

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16. DEBT

On February 24, 2020, the Company entered into a Demand Note (the "Note") agreement with a third party for the sum of \$20,000. The Note is unsecured, bears interest at 5% per annum and is due 60 days from the date of the contract. The Note contains a penalty clause of \$2,000 should the principle and interest remain outstanding after 60 days. The loan and interest were repaid in May 2020.

During the year ended August 31, 2020, the Company received \$40,000 Canadian Emergency Business Account loan (the "Loan"). The Loan bears 0% interest rate until December 31, 2022, if the Loan cannot be repaid by December 31, 2022, it can be converted into a three-year term loan at an interest rate of 5% per annum.

17. CONVERTIBLE DEBENTURE

The Company had acquired Convertible Debentures (the "Debentures") with various third parties for an aggregate sum of \$300,000 in connection with the acquisition of Numinus. The Debentures were unsecured, bears interest at 10% per annum and matures on the earlier of 1) five years from the date of issuance of the convertible debenture certificate evidencing the subscription; or 2) if the Company completes any one arm's length financing within a 60-day period, then the principle amount of the Debenture and all accrued interest, may at the option of the Company, be converted into securities of the Company of the same type as the securities issued. Upon closing of the Reverse Acquisition in Note 4, the Company settled Numinus' outstanding convertible debentures through the issuance of 1,320,000 common shares and 660,000 share purchase warrants (Note 8).

18. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transaction during the years ended August 31, 2020 and 2019 are as follows:

Supplemental cash flow information:	2020	2019
Issuance of shares for acquisition of Numinus	\$ 500,000	\$ -
Shares issued for convertible debt and loans	580,000	-
Forfeiture of shares	729,530	-
Adoption of IFRS – Right-of-use assets	172,001	-
Subscriptions receivable	-	(25,000)
Shares issued on reverse acquisition	2,328,425	-
Share issued for special warrants	3,838,721	-
Transfer of share-based payment reserve upon exercise of stock options	166,519	-
Transfer of share-based payment reserve upon conversion of warrants	9,054	-
Finders' warrants	21,281	-
Deferred financing costs included in accounts payable and accrued liabilities	78,239	-
Fair value of settlement of warrants	16,940	-
Proceeds on disposal of assets included in receivables	187,567	-
Leases acquired	230,126	121,782
Cash paid for interest	62,210	55,409
Cash paid for taxes	-	-

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19. SUBSEQUENT EVENTS

- a) On September 10, 2020, the Company completed a short form prospectus offering of 18,400,000 units (the “Units”) at a price of \$0.25 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant of the Company (each a “Warrant”). Each Warrant is exercisable to acquire one common share of the Company for a period of 24 months at an exercise price of \$0.35 per Warrant. The Company recorded \$78,239 of deferred financing cost as at August 31, 2020 related to this offering.
- b) Subsequent to the year ended August 31, 2020, the Company completed a bought deal financing of 25,367,850 units (the “Units”) at a price of \$0.68 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant of the Company (each a “Warrant”). Each Warrant is exercisable to acquire one common share of the Company for period of 24 months at an exercise price of \$0.90 per Warrant.
- c) On December 15, 2020, the Company announced the 100% acquisition of Montreal-based Mindspace Psychology Services Inc (DBA Mindspace Wellbeing) (the “Transaction”). The Company will pay the following consideration to complete Transaction:
- i. \$500,000 in cash upon closing of Transaction;
 - ii. 441,176 common shares of the Company, issued in eight equal installments of over the course of 24 months;
 - iii. Common shares equal to \$100,000 per year on each of the first three anniversaries of the Transaction date;
 - iv. Common shares equal to \$200,000 per year, subject to performance milestones of Mindspace

Due to the limited time between the closing of the Transaction and the issuance of these consolidated financial statements, certain business acquisition disclosures required under IFRS 3, mainly the preliminary purchase price allocation, have not been provided as this information is not yet available. The Company is in the process of assess the fair value of the assets acquired and liabilities assumed.

- d) Subsequent to the year ended August 31, 2020, the Company granted 305,000 options to employees and consultants of the Company. Each option is exercisable for a period of two years from issuance at a price of \$0.25 per option.
- e) Subsequent to the year ended August 31, 2020, the Company issued 17,669,245 common shares pursuant to the exercise of options and warrants for the proceeds of \$9,201,122.
- f) Subsequent to the year ended August 31, 2020, the Company received a Notice of Civil Claim (the “Claim”) dated December 4, 2020 and filed in the Supreme Court of British Columbia pursuant to section 9 of the Business Corporations Act (British Columbia), in which the Company is the sole defendant. In the claim, the plaintiff alleged a breach of contract for consulting services that it allegedly provided to the Company. The Company denied having entered into a binding contract with the plaintiff as no written agreement was signed. On December 21, 2020, the Company reached a settlement with the plaintiff whereby the Company will pay total of \$500,000, of which \$175,000 to be paid by January 8, 2021, with the balance paid in five installments of \$65,000, plus applicable tax, each, due on the last day of each month from January 2021 to May 2021. Further to the consideration, the plaintiff hereby agrees to transfer all ownership, intellectual property, and other rights of certain assets to the Company.