

PURE EXTRACTION CORP.

(formerly FITCH STREET CAPITAL CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 and 2019

(Expressed in Canadian Dollars – prepared by management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	September 30, 2020	March 31, 2020
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash	\$ 2,047,649	\$ 334,576
Amounts receivable (Note 3)	85,174	30,845
Inventory (Note 4)	1,077,476	-
Advances to Pure Extraction Ltd. (Note 6)	-	221,957
Prepaid expenses	12,000	-
Total current assets	3,222,299	587,378
Non-current assets		
Property and equipment (Note 5)	8,412	-
Goodwill (Note 6)	1,498,018	-
Total non-current assets	1,506,430	-
Total assets	\$ 4,728,729	\$ 587,378
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 825,809	\$ 70,676
Customer deposits (Note 7)	891,021	-
Lease liability (Note 8)	11,706	-
Total current liabilities	1,728,536	70,676
Loan payable (Note 9)	24,050	-
Total non-current liabilities	24,050	-
Total liabilities	1,752,586	70,676
Equity		
Share capital (Note 10)	3,904,511	1,426,911
Contributed surplus	844,742	429,742
Deficit	(1,773,110)	(1,339,951)
Total equity	2,976,143	516,702
Total liabilities and equity	\$ 4,728,729	\$ 587,378

Approved and authorized on behalf of the Board:

"Balraj Mann"

Balraj Mann
, Director
"Alicia Milne"

Alicia Milne
, Director

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

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Expressed in Canadian Dollars)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 and 2019

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2020	2019	2020	2019
Expenses				
Advertising and promotion	\$ 6,475	\$ -	\$ 6,520	\$ -
Amortization	7,200	-	7,200	-
Bank charges and interest	1,404	-	1,995	-
Consulting fees	30,000	-	47,500	-
Insurance	901	-	1,201	-
Listing and filing fees	35,434	7,605	53,616	8,945
Office and administration	10,638	1,537	15,818	1,868
Professional fees	23,170	6,000	23,170	14,800
Rent and utilities	14,517	4,500	28,017	9,000
Repair and maintenance	124	-	165	-
Research and product development	5,890	-	13,450	-
Salaries and benefits	30,714	-	31,922	-
Stock-based compensation	195,000	221,000	195,000	221,000
Transaction costs	-	97,480	-	245,980
Transfer agent	679	643	3,311	2,076
Travel and accommodation	3,053	-	3,215	-
	365,199	338,765	432,100	503,669
Loss before other items	(365,199)	(338,765)	(432,100)	(503,669)
Other income (expense)				
Interest expense - lease	(351)	-	(351)	-
Loss on government loan	(591)	-	(708)	-
	(942)	-	(1,059)	-
Net and comprehensive loss for the period	\$ (366,141)	\$ (338,765)	\$ (433,159)	\$ (503,669)
Basic and diluted gain (loss) per share	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding	20,977,963	15,119,056	20,977,963	13,877,888

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

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>Number of Shares</u>	<u>Common Shares</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total Shareholders' Equity</u>
Balance, March 31, 2020	16,755,785	\$ 1,426,911	\$ 429,742	\$ (1,339,591)	\$ 516,702
Shares issued for acquisition	3,000,000	405,000	-	-	405,000
Shares issued for cash	18,000,000	2,430,000	-	-	2,430,000
Share issuance costs, cash	-	(194,400)	-	-	(194,400)
Shares issuance costs, broker's option	-	(220,000)	220,000	-	-
Shares issued for finder's fee	345,454	57,000	-	-	57,000
Stock-based compensation	-	-	195,000	-	195,000
Net income for the period	-	-	-	(433,159)	(433,159)
Balance, September 30, 2020	38,101,239	\$ 3,904,511	\$ 844,742	\$ (1,578,110)	\$ 2,976,143
Balance, March 31, 2019	12,623,082	\$ 919,731	\$ 225,892	\$ (742,904)	\$ 402,719
Shares issued for cash	3,703,703	500,000	-	-	500,000
Share issuance costs, cash	-	(40,000)	-	-	(40,000)
Shares issuance costs, broker's option	-	(45,000)	45,000	-	-
Stock-based compensation	-	-	221,000	-	221,000
Net loss for the period	-	-	-	(503,669)	(503,669)
Balance, September 30, 2019	16,326,785	\$ 1,334,731	\$ 491,892	\$ (1,246,573)	\$ 580,050

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

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (433,159)	\$ (503,669)
Items not affecting cash:		
Amortization	7,200	-
Loss on government loan	708	-
Stock-based compensation	195,000	221,000
Changes in non-cash working capital items:		
Amounts receivable	(10,056)	(12,218)
Inventory	(154,419)	-
Prepaid expenses	(12,000)	-
Accounts payable and accrued liabilities	1,474	6,584
Net cash generated by operating activities	<u>(405,252)</u>	<u>(288,303)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Principal portion of lease liability payments	(6,848)	-
Intangible assets acquired, net	(110,427)	-
	<u>(117,275)</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Shares issued for cash	2,430,000	500,000
Share issuance costs, cash	(194,400)	(40,000)
Net cash flow from financing activities	<u>2,235,600</u>	<u>460,000</u>
Change in cash for the period	1,713,073	171,697
Cash, beginning of period	<u>334,576</u>	<u>262,429</u>
Cash, end of period	<u>\$ 2,047,649</u>	<u>\$ 434,126</u>

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

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

1. Nature of Operations and Continuance of Business

The Company was incorporated under the Business Corporations Act of British Columbia on June 20, 2007. The Company was classified and listed as a Capital Pool Company as defined by Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange (the "Exchange") on June 13, 2008. On June 12, 2020, the Company completed its Qualifying Transaction (the "Transaction") with Pure Extraction Inc. and Pure Extraction Ltd. (collectively, "Pure Extraction"). The Company acquired all of the issued and outstanding Pure Extraction shares from the shareholders of Pure Extraction.

On June 12, 2020, the Company changed its name to Pure Extraction Corp. thru its subsidiary, Pure Extraction Ltd., is in the business of manufacturing and selling extraction equipment in the botanical oil industry. The Company's trading symbol is "PURX" trading on the TSX Venture Exchange.

The address of the Company's corporate office and principal place of business is Suite 440 – 755 Burrard Street, Vancouver, British Columbia V6Z 1X6.

Going Concern

While the Company's financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the six months ended September 30, 2020, the Company reported a net loss of \$433,159 (2019 - \$503,669) and as at that date had an accumulated deficit of \$1,773,110 (March 31, 2020 - \$1,339,951). As of September 30, 2020, the Company has a net working capital of \$1,493,763 (March 31, 2020 - \$516,702). The Company expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material. The directors of the Company have approved these financial statements.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2020.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 30, 2020.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

2. Summary of Significant Accounting Policies (continued)

(b) Basis of Measurement

These financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments which are measured at fair value.

(c) Critical Accounting Estimates, Judgements and Uncertainties

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements. Actual results could differ from those estimates.

Significant areas having estimation uncertainty include revenue recognition, asset impairment, inventory provision, impairment loss (recoveries) on trade receivables, income taxes, impairment of financial assets at amortized cost impairment of long-term assets.

(d) Functional and Presentation Currency

The Company's functional currency is the Canadian Dollar ("CAN"). The financial statements are presented in CAN which is the Company's presentation currency, unless otherwise noted.

(e) Basis of Consolidation

These unaudited interim condensed financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Pure Extraction Ltd., a federally incorporated, and Pure Extraction Inc., provincially incorporated in the province of British Columbia. All intercompany transactions and balances have been eliminated upon consolidation.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, commercial accounts, and bank deposits. Items are considered to be cash equivalents if the original maturity is three months or less.

(g) Revenue Recognition

FRS 15 – Revenues from contracts with customers

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements. Changes in accounting policies resulting from the adoption of IFRS 15 had no impact on the Company's financial statements or the reported amounts of revenues.

The Company's revenue is comprised of equipment sales. Revenue is recognized when the equipment has been commissioned as operational, systems control has been transferred to the purchaser and collectability is reasonably assured. This is generally when commissioning has been completed, which is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenues are recorded net of discounts and incentives but inclusive of freight in the sale of goods.

Customer deposits (i.e. contract liabilities) represents deposits received from customers on uncompleted contracts.

2. Summary of Significant Accounting Policies (continued)

(h) Inventory

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle. In the case of manufactured inventories and work in progress, cost includes materials and labor based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which would impair the value of inventory on hand.

(i) Income Taxes

The Company accounts for income taxes using the asset and liability method, which provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carry forwards. Deferred tax

assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

(j) Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Average monthly rates are used to translate revenues and expenses. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income.

(k) Financial Instruments

The Company has adopted IFRS 9, Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured after initial recognition at amortized cost.

The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI. The Company has classified its cash at fair value through profit or loss. The company has classified its accounts receivable, inventory, due to shareholders and prepaid expenses at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not

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2. Summary of Significant Accounting Policies (continued)

at fair value through profit or loss (“FVTPL”), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are measurement categories under which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through OCI (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

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 of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (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.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost. A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities, loans payable and due to related parties are classified as financial liabilities held at amortized cost.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

2. Summary of Significant Accounting Policies (continued)

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. The table below illustrates the change in classification of the Company's financial instruments under IAS 39 and IFRS 9.

Line Item	IFRS 9	IAS 39	
	New Classification	Original Classification	Measurement Model
Cash	FVTPL	FVTPL	FVTPL
Accounts receivable	FVTPL	FVTPL	FVTPL
Due to related company	Amortized cost	Other liabilities	Amortized cost
Accounts payable and other accrued liabilities	Amortized cost	Other liabilities	Amortized cost
Advances to company	Amortized cost	Other liabilities	Amortized cost

(l) Property and Equipment

Equipment is stated at cost and is amortized on a straight-line basis over management's estimate of the useful life and residual value:

Right of use asset	determined by lease term
Machinery and equipment	5-10 years
Computer equipment and software	3 years

(m) Impairment of Long-Lived Assets

The Company tests long-lived assets for recoverability when events or changes in circumstance indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset, significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. The recoverable amount of an asset 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 pre-tax 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 or cash generating unit 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.

(n) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on

the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (continued)

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

(o) Leases

IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is 12 months or less or when the underlying asset has a low value. The Company will apply the standard retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or deficit at that date, subject to permitted practical expedients. Therefore, the Company will not restate comparative information.

The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the

Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019 and has been adopted without material effect to these financial statements.

(p) Share capital

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements is recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period. Where incentive share options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

(q) Basic earnings/loss per share

Basic earnings/loss per share is computed by dividing the net income or loss attributable to common shareholders of the Company by weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per share is computed by adjusting the net income or loss attributable to common shareholders dividing by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments such as warrants and options were exercised.

(r) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense.

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2. Summary of Significant Accounting Policies (continued)

(s) Government grants

Loans received from government are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received, being recorded as government grant gain in the statements of loss and comprehensive loss.

3. Amounts Receivable

	September 30, 2020	March 31, 2020
GST Receivable	\$ 56,491	\$ 23,845
Other receivables	7,000	7,000
Trade receivables	21,683	-
Total	\$ 85,174	\$ 30,845

As at September 30, 2020, \$21,683 in a contract sale was due from a company. The Company qualifies for the Goods and Services Sales Tax (GST) input tax credits in the amount of \$56,491 (March 31, 2020 - \$23,845), which may change pursuant to an audit by the taxation authorities.

4. Inventory

Inventory comprised the following items:

	September 30, 2020	March 31, 2020
Work in progress -materials and labour	\$ 1,077,476	\$ -

5. Property and Equipment

	Equipment and Right-of-Use Asset
Cost	
Balance, March 31, 2020	\$ -
Additions – Right-Of-Use Asset	44,412
Balance, September 30, 2020	44,412
Accumulated amortization	
Balance, March 31, 2020	-
Amortization	36,000
Balance, September 30, 2020	\$ 36,000
Carrying amounts	
As at March 31, 2020	\$ -
As at September 30, 2020	\$ 8,412

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6. Acquisition of Pure Extraction Inc. and Pure Extraction Ltd.

On June 12, 2020, the Company completed its Qualifying Transaction (the “Transaction”) with Pure Extraction Inc. and Pure Extraction Ltd. (collectively, “Pure Extraction”). The Company acquired all of the issued and outstanding Pure Extraction shares from the shareholders of Pure Extraction. In consideration for the Pure Extraction shares, the Company issued to the shareholders of Pure Extraction pro rata an aggregate of 3,000,000 common shares of the Company (the “Common Shares”) at a deemed value of \$0.165 per common share. In addition, the Company was required to issue to the shareholders of Pure Extraction pro rata an aggregate of 1,000,000 Common Shares if Pure Extraction generates cumulative gross revenues greater than \$2,000,000 within 18 months from execution of the Share Exchange Agreement (dated December 17, 2018) at a deemed value of \$0.165 per Common Share. No shares were issued as the revenue requirement was not met.

The Company has advanced \$221,957 to Pure Extraction which was eliminated on consolidation on the completion of the Transaction as an intercompany balance.

Cost of Acquisition		
Fair value of common shares issued including transaction costs, finder’s fee	\$	811,957
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Fair value of assets acquired net of liabilities		
Cash		22,078
Amounts receivable		39,768
Inventory		923,057
Equipment		15,612
Liabilities		(1,686,576)
Net liabilities acquired		(686,061)
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Excess recorded as Goodwill	\$	1,498,018

7. Customer Deposits

As at September 30, 2020, the Company has received deposits for orders of \$891,021 (2020 - \$nil) which the Company has begun ordering parts and/or began assembly of the equipment. Revenue is recognized when the equipment has been commissioned as operational, systems control has been transferred to the purchaser and collectability is reasonably assured. Deposits are forfeited upon non-payment when additional contractual payments are requested by the Company.

8. Right of Us Assets and Lease Liability

On July 1, 2019 Pure Extraction Ltd. entered into a lease agreement for office and assembly floor space for future minimum annual operating lease commitments of \$26,400 for one year ending June 30, 2020. On July 1, 2020 Pure Extraction Ltd. entered into a lease agreement for office and assembly floor space for future minimum operating lease commitments of \$19,200 for eight months ending February 28, 2021

The Company has recorded this lease as a Right-Of-Use Asset and lease liability in the statement of financial position as at September 30, 2020. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The effect of discounting the lease payments using an interest rate of 10%, which is the Company’s incremental borrowing rate. The continuity of the lease liability is presented in the table below.

Balance, March 31, 2020	\$	-
Fair value, initial measurement		18,554
Lease payments		(6,848)
Balance, September 30, 2020	\$	11,706
Less current portion		(11,706)
Non-current obligation		-

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9. Loan Payable

On April 20, 2020, the Pure Extraction Ltd. was approved and received a \$40,000 line of credit (“CEBA LOC”) under the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. The CEBA LOC is non-interest bearing, can be repaid at any time without penalty.

On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a 2-year interest free term loan (“CEBA Term Loan”). The CEBA Term Loan may be repaid at any time without notice or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven. If on December 31, 2022, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining. As at September 30, 2020, the fair value of the CEBA LOC was \$24,050.

10. Share Capital

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued and outstanding

A summary of changes in share capital is contained on the statement of changes in shareholders’ equity for the three months ended September 30, 2020 and 2019.

c) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants for up to a maximum 10% of the issued and outstanding common shares of the Company. The exercise price shall not be less than the discounted market price of the Company’s shares as at grant date. The options may be granted for a maximum term of 5 years. Options granted to directors, employees and consultants, other than the consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period four months from the award date.

During the six-month period ended September 30, 2020, the Company issued 500,000 incentive stock options. The stock options allowed the holder to acquire for \$0.30 per option, one common share for a period of 5 years. The fair value of these options was calculated at \$195,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.35% risk-free interest rate, expected life of 5 years, 195% annualized volatility and 0% dividend rate.

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2019	-	\$ -
Granted	1,260,000	\$ 0.165
Balance at March 31, 2020	1,260,000	\$ 0.165
Granted	500,000	0.300
Balance at September 30, 2020	1,760,000	\$ 0.20

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10. Share Capital (continued)

c) Stock Options (continued)

As at September 30, 2020, the following stock options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise price	Number of options outstanding	Weighted Average Remaining Years
July 19, 2024	\$ 0.165	1,260,000	3.80
July 23, 2025	\$ 0.300	500,000	4.81
		1,760,000	4.09

d) Warrants

No warrants were issued during the six month period ended September 30, 2020. The Company has no warrants outstanding at March 31, 2019, March 31, 2020 and September 30, 2020.

e) Private placement

During the six month period ended September 30, 2020, the Company completed a non-brokered placement (the “Concurrent Financing”) of 18,000,000 common shares in the capital of the Company at a price of \$0.135 per Common Share to raise aggregate gross proceeds of \$2,430,000. The Company paid finders’ fees to Canaccord Genuity Corp. consisting of \$194,400 and issued 1,440,000 brokers’ options, each option allowing the holder to acquire one common share at price of \$0.135 for a period of 24 months. The Company issued an aggregate of 345,454 common shares to Canaccord Genuity Corp. as a finders’ fee payable in connection with the Qualifying Transaction.

f) Brokers’ options

During the three month period ended September 30, 2020, the Company issued 1,440,000 brokers’ options as finders’ fees. The brokers’ options allowed the holder to acquire for \$0.135 per option, one common share for a period of 24 months. The fair value of these options was calculated at \$220,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 0.26% risk-free interest rate, expected life of 2 years, 192% annualized volatility and 0% dividend rate.

	Number	Weighted Average Price
Number outstanding at March 31, 2019	780,000	\$0.070
Granted	296,296	\$0.135
Exercised	(429,000)	\$0.070
Expired	(351,000)	\$0.070
Number outstanding at March 31, 2020	296,296	\$0.135
Granted	1,440,000	\$0.135
Number outstanding at September 30, 2020	1,736,296	\$0.135

As at September 30, 2020, the following brokers’ options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of brokers’ options	Weighted Average Remaining Years
July 30, 2021	\$0.135	296,296	0.83
June 12, 2022	\$0.135	1,440,000	1.70
	\$0.135	1,736,296	1.55

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10. Share Capital (continued)

g) Escrow shares

As at September 30, 2020, 3,922,499 common shares were subject to an escrow agreement to be released in accordance with the CPC policy guidelines. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

11. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Company's executive officers and Board of Directors members.

The aggregate value of transactions relating to key management personnel or by entities controlled by them for the six-month period ended September 30, 2020 and 2019 were as follows:

	2020	2019
Consulting and management fees	\$ 47,500	\$ -
Rent	27,000	9,000
Stock-based compensation	117,000	110,000
	<u>\$ 191,500</u>	<u>\$ 119,000</u>

These transactions have been recorded at the fair value which is the amount of consideration established and agreed to by the related parties. As at September 30, 2020, accounts payable and accrued liabilities was \$nil (March 31, 2020 - \$4,650) owing to company with a common director and officer of the Company.

13. Financial instruments and financial risk management

The Company's risk exposure and impact on the Company's financial instruments are summarized below:

a. Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company is not subject to significant credit risk on cash held with banks, as it is held on deposit with credit worthy financial institutions. The Company extends credit in the normal course of business. The Company's risk on accounts receivable was assessed as medium due to potential non-payments.

b. Liquidity risk

Liquidity risk is the risk that a company or bank may be unable to meet short term financial demands. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its working capital, loans from related parties and contributions from members. Liquidity risk is assessed as high.

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13. Financial instruments and financial risk management (continued)

c. Market risk

i. Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash is not considered significant.

ii. Price risk

Price risk is the risk of a decline in the value of a security or a portfolio due to a decline in asset prices. The Company is not exposed to price risk.

iii. Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rate. The Company is not exposed to foreign currency exchange risk.

d. Fair value

The recorded value of the Company's financial assets and liabilities approximate their fair values due to their demand nature and their short term to maturity.

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

The three levels of the fair value hierarchy are:

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

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
and

Level 3 – Inputs that are not based on observable market data

The following table presents the financial instruments recorded at fair value in the statement of financial position, classified using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial Assets				
Cash	\$ 2,047,649	\$ -	\$ -	\$ -
	\$ 2,047,649	\$ -	\$ -	\$ -

14. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash held by the Company.

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15. Capital management (continued)

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company does not have sufficient capital resources to carry out all of its obligations and, accordingly, will attempt to raise additional capital when necessary. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

15. Subsequent events

a) In October 2020, the Company commissioned one extraction machine and recorded a sale of xxxxxx.

b) In November 2020, the Company commissioned two extraction machines and recorded sales of \$xxxxx.