

Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

## **RISE LIFE SCIENCE CORP.**

Three and Six Months ended May 31, 2019 and 2018  
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements for the three and six months ended May 31, 2019

# RISE LIFE SCIENCE CORP.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

	Note	May 31, 2019	November 30, 2018
<b>Assets</b>			
Current assets:			
Cash		\$ 1,584,907	\$ 3,878,161
Restricted cash	8(v)	2,025,000	-
Accounts receivable		587,458	437,723
Prepaid expenses		201,809	96,465
Inventory		306,148	214,111
<b>Total current assets</b>		<b>4,705,322</b>	<b>4,626,460</b>
Non-current assets:			
Prepaid expenses	8	-	119,200
Property and equipment		157,902	116,331
Intangible assets		189,157	196,266
Goodwill	5,6	603,712	592,660
		950,771	1,024,457
<b>Total assets</b>		<b>\$ 5,656,093</b>	<b>\$ 5,650,917</b>
<b>Liabilities and Shareholders' Deficiency</b>			
Current liabilities:			
Accounts payable and accrued liabilities	5,6,12	\$ 1,461,658	\$ 2,311,102
Loan	11	9,237	9,237
Convertible notes	8	50,000	50,000
Accrued interest on debt	8	180,471	45,266
Secured promissory notes	8	700,000	300,000
<b>Total current liabilities</b>		<b>2,401,366</b>	<b>2,715,605</b>
Non-Current liabilities:			
Accounts payable and accrued liabilities	5,6,12	\$ 187,181	\$ 167,007
Deferred charge		11,993	-
Loan	11	15,680	19,674
Secured promissory notes	8	911,334	1,311,334
Convertible debentures	8	6,944,468	3,425,107
Accrued interest	8	1,682,535	1,500,154
<b>Total non-current liabilities</b>		<b>9,753,191</b>	<b>6,423,276</b>
Shareholders' deficiency:			
Share capital	9	24,980,477	24,855,477
Shares to be issued		10,000	-
Contributed surplus		6,566,592	5,984,732
Warrants	9	3,519,696	3,564,643
Other comprehensive loss		(151,194)	(15,668)
Deficit		(41,424,035)	(37,877,148)
<b>Total deficiency</b>		<b>(6,498,464)</b>	<b>(3,487,964)</b>
<b>Total liabilities and equity</b>		<b>\$ 5,656,093</b>	<b>\$ 5,650,917</b>
Going concern	2(d)		
Commitments and contingencies	11		
Subsequent events	13		
On behalf of the Board:			
<u>"Ashwath Mehra"</u>		<u>"Michael Campbell"</u>	
Director		Director	

# RISE LIFE SCIENCE CORP.

## Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

Three and Six Months ended May 31, 2019 and 2018  
(Unaudited)

Periods ended May 31,	Note	Three months		Six months	
		2019	2018	2019	2018
<b>Revenues</b>					
Product sales and other income		\$ 600,081	\$ -	\$ 700,683	\$ -
Cost of sales		(286,596)	-	331,610	-
<b>Gross Margin</b>		313,485	-	369,073	-
<b>Expenses</b>					
Selling, general and administration		1,615,109	1,117,866	2,894,845	1,522,915
Finance expense		475,460	95,461	858,446	189,146
Foreign exchange (gain) loss		(78,940)	1,740	(78,827)	120
Stock based compensation		27,580	47,860	240,022	47,860
Impairment of equipment		-	-	1474	-
		2,039,209	1,262,927	3,915,960	1,760,041
<b>Net loss</b>		(1,725,724)	(1,262,927)	(3,546,887)	(1,760,041)
<b>Other Comprehensive loss</b>					
Currency translation differences		(84,624)	-	(135,526)	-
<b>Comprehensive Loss</b>		\$ (1,810,348)	\$ (1,262,927)	\$ (3,682,413)	\$ (1,760,041)
<b>Basic and diluted weighted average shares outstanding 9(e)</b>		59,588,009	47,834,299	59,416,799	42,217,117
<b>Basic and diluted loss per share</b>	9(e)	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.04)

# RISE LIFE SCIENCE CORP.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited)

	Note	Number of shares	Share capital	Shares to be issued	Contributed surplus	Warrant Reserve	Other comprehensive loss	Accumulated deficit	Total equity (deficiency)
Balance, November 30, 2017		33,836,449	\$19,033,623	\$ -	\$5,132,042	\$1,157,671	\$ -	\$(26,020,975)	\$(697,639)
Net loss			-	-	-	-	-	(1,760,041)	(1,760,041)
Acquisition of Rise Research		9,500,000	2,897,500	-	-	1,005,900	-	-	3,903,400
Exercise of warrants		266,674	100,169	-	-	(25,405)	-	-	74,764
Conversion of debenture(s)		500,000	100,000	-	-	-	-	-	100,000
Private placements		7,366,166	1,475,382	-	-	578,500	-	-	2,053,882
Stock based compensation		-	-	-	47,860	-	-	-	47,860
Debt settlement		83,333	25,000	-	-	-	-	-	25,000
<b>Balance, May 31, 2018</b>		<b>51,552,622</b>	<b>\$23,631,674</b>	<b>\$ -</b>	<b>\$5,179,902</b>	<b>\$2,716,666</b>	<b>\$ -</b>	<b>\$(27,781,016)</b>	<b>\$ 3,747,226</b>
Balance, November 30, 2018		59,243,687	\$24,855,477	\$ -	\$5,984,732	\$3,564,643	\$ (15,668)	\$(37,877,148)	\$(3,487,964)
Net Loss		-	-	-	-	-	-	(3,546,887)	(3,546,887)
Other comprehensive income		-	-	-	-	-	(135,526)	-	(135,526)
Private placements		-	-	-	21,600	275,291	-	-	296,891
Stock based compensation		-	-	-	240,022	-	-	-	240,022
Expiration of warrants		-	-	-	320,238	(320,238)	-	-	-
Note conversion		833,333	125,000	10,000	-	-	-	-	135,000
<b>Balance, May 31, 2019</b>		<b>60,077,020</b>	<b>\$24,980,477</b>	<b>\$ 10,000</b>	<b>\$6,566,592</b>	<b>\$3,519,696</b>	<b>\$(151,194)</b>	<b>\$(41,424,035)</b>	<b>\$(6,498,464)</b>

# RISE LIFE SCIENCE CORP.

## Interim Condensed Consolidated Statements of Cash Flows

Six Months ended May 31, 2019 and 2018  
(Unaudited)

	May 31, 2019	May 31, 2018
<b>Operating activities:</b>		
Net loss for the period	\$ (3,546,887)	\$ (1,760,041)
Items not involving cash:		
Amortization and depreciation	23,845	106,687
Finance expense	461,557	165,218
Stock based compensation	240,022	47,860
Impairment of equipment	1,474	-
Unrealized foreign exchange gain	(93,151)	-
Deferred charge	11,830	-
Change in non-cash working capital balances:		
Restricted cash	(2,025,000)	-
Accounts receivable	(149,260)	(93,959)
Prepaid expenses	14,686	(208,230)
Inventory	(86,844)	(51,236)
Accounts payable and accrued liabilities	(805,051)	(382,057)
Loan payable	(4,471)	-
Cash used in operating activities	(5,957,250)	(1,987,840)
<b>Investing activities:</b>		
Cash acquired in acquisition	-	43,469
Intangible assets acquired	-	(450,418)
Property and equipment acquired	(56,515)	-
Cash (used in) provided for investing activities	(56,515)	406,949
<b>Financing activities:</b>		
Proceeds from private placement less share issue costs	-	2,153,645
Proceeds from debt financing less issue costs	3,711,142	-
Cash provided by financing activities	3,711,142	2,153,645
Change in cash due to foreign exchange	9,369	-
Decrease in cash	(2,293,254)	(241,144)
Cash, beginning of the period	3,878,161	1,065,974
Cash, end of the period	\$ 1,584,907	\$ 824,830

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

(Unaudited)

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### 1. Reporting entity:

RISE Life Sciences Corp. (the "Company") is a company domiciled and incorporated in Canada. The address of the Company's registered office is 145 King Street West, Suite 210, Toronto, Ontario M5H 1J8. The Company's common shares are publicly traded on the Canadian Securities Exchange. The Company is developing and evolving medical and adult hemp-based formulations to create general use health and well-being products for the emerging consumer category made possible by the legalization of hemp in the United States pursuant to the Agricultural Improvement act of 2018.

### 2. Basis of preparation of the consolidated financial statements:

#### (a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all of the information required for full annual financial statements.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 26, 2019.

#### (b) Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries, Jamaica-Blu Ltd, Rise Research Inc., Scout Assessment Corp., RISE Life Science (Colorado) LLC, Brandmax Inc. DBA Cultivate Kind and Life Bloom Organics, LLC (the "Group") as at May 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

(Unaudited)

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### 2. Basis of preparation of the consolidated financial statements (continued):

#### (b) Basis of consolidation (continued)

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

#### (c) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments (note 3 (b)) which are measured at fair value.

#### (d) Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern as the Company has experienced operating losses and cash outflows from operations since incorporation and has accumulated a deficit of \$(41,424,035) as at May 31, 2019 (November 30, 2018 - \$37,877,148) and working capital of \$2,303,956 (November 30, 2018 – working capital of \$1,910,855).

Management has forecast that expected expenditure levels and contracted commitments will exceed the Company's net cash inflows and working capital during the coming year unless further financing is obtained. The Company's future operations are dependent upon its ability to secure additional funds and generate product sales. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be achieved, or such sources of funds will be available or obtained on favorable terms or obtained at all. Historically, the Company has obtained funding via the issuance of shares and warrants and long-term and/or convertible debt. If the Company cannot secure additional financing on terms that would be acceptable to it or otherwise generate product sales, the Company will have to consider additional strategic alternatives which may include, among other strategies, cost curtailments, delays of additional product launches and exploring the monetization of certain intangible assets, as well as seeking to license and/or divest assets or a merger, sale or liquidation of the Company. Any divestiture of assets would be subject to the satisfaction of obligations under the security interests described in note 8.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

(Unaudited)

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### 2. Basis of preparation of the consolidated financial statements (continued):

#### (d) Going concern (continued)

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on many factors, including, but not limited to the successful completion of the actions taken or planned, some of which are described above, which are intended to mitigate the adverse conditions and material uncertainties that cast significant doubt about the validity of the going concern assumption used in preparing these interim condensed consolidated financial statements. There can be no assurance that the Company will be able to obtain sufficient financing to meet future operational needs or that the above described and other strategies will be sufficient to permit the Company to continue as a going concern.

These interim condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. Such adjustments, if any could be material. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

#### (e) Functional and presentation currency

The interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's Canadian operation's functional currency and the overall presentation currency. The Company's US operations have a functional currency of United States dollars. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

#### (f) Use of significant estimates and judgments

The preparation of these interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas where management has made critical judgments in the process of applying accounting policies that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements include the fair value of consideration paid in a business combination or asset acquisition, what constitutes consideration versus remuneration, allocation of consideration to identifiable assets and liabilities, the commencement of the period of use of acquired intellectual property, value in use of intellectual property and goodwill, the fair value of options, warrants or debt in connection with private placements involving both equity and/or debt, realizable value of inventories, the fair value of financial instruments including expected credit losses and reportable segments.

The determination of fair values to the net identifiable assets acquired in business acquisitions often require management to make assumptions or estimates about future events. Changes in any of the assumptions or estimates used in determining fair value of acquired assets and liabilities could impact the amount assigned to assets, liabilities and goodwill in a purchase price allocation.

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The assessment of fair values includes estimates and assumptions, discount rates, future operating performance and capital requirements. These estimates and assumptions are based on industry and historical practices as well as future expectations. Changes to these estimates or assumptions could impact the impairment analysis of goodwill.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes to the interim condensed consolidated financial statements:



# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods ended May 31, 2019 and 2018  
(Unaudited)

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### 2. Basis of preparation of the consolidated financial statements (continued):

#### (f) Use of significant estimates and judgments (continued)

- Note 3f(i): The measurement and period of use of patents and trademarks
- Note 3h(ii): The assumptions and valuation technique used to estimate the value of share-based payment transactions.
- Note 8: The assumptions used to fair value debt components, the conversion features and associated warrants on initial recognition.
- Note 9: The assumptions used to value options and warrants issued.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods ended May 31, 2019 and 2018  
(Unaudited)

### 3. Significant Accounting Policies:

#### (a) Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency using exchange rates prevailing at the date of the transactions. All foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at reporting date exchange rates are recognized in the interim condensed consolidated statements of net loss and comprehensive loss.

Assets and liabilities of RISE Life Science (Colorado) LLC, Brandmax Inc. and Life Bloom Organics, LLC, having functional currencies of the US dollar, are translated to the Canadian dollar at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the periods, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive loss.

#### (b) Financial instruments

Effective December 1, 2018, the Company adopted IFRS 9, Financial Instruments. In accordance with the transitional provisions, the Company adopted the standard retrospectively without restating comparatives as the change did not impact the opening balances.

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets. The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan	Other financial liabilities	Amortized cost
Convertible notes	Other financial liabilities	Amortized cost
Secured Promissory Notes	Other financial liabilities	Amortized cost
Convertible Debentures	Other financial liabilities	Amortized cost

The following are the Company's new accounting policies for financial instruments under IFRS 9:

#### Financial assets

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

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

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

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods ended May 31, 2019 and 2018  
(Unaudited)

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### 3. Significant accounting policies (continued):

#### (b) Financial instruments (continued):

##### Financial assets at FVPL

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

##### Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of net loss and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

##### Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

##### Impairment of financial assets

The impairment model under IFRS 9 is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial assets subject to impairment are accounts receivable which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized. The Company has measured the lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to debtors and other relevant factors.

##### Financial liabilities

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, loans, secured promissory notes and convertible debentures which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

##### Financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of net loss and comprehensive loss.

##### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other income or expense in the consolidated statements of net loss and comprehensive loss

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods ended May 31, 2019 and 2018  
(Unaudited)

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### 3. Significant accounting policies (continued):

#### (b) Financial instruments (continued):

##### Share capital

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

##### Warrants

Warrants are classified as equity. Incremental costs directly attributable to the exercise of warrants and related issue of common voting shares are recognized as a deduction from equity, net of any tax effects.

#### (c) Revenue recognition

The Company, as of December 1, 2018 has adopted IFRS 15, Revenue from Contracts with Customers. Revenue is recognized when control has been transferred, which is considered to occur when products have been delivered to the location specified in the sales contract and accepted by the customer. Revenue is measured based on the consideration specified in contracts, when they are present by taking into account any variation that may result from rights of return. Significant areas of judgement include (i) identifying the customer under the definition of IFRS 15 (ii) estimating returns on product sold and, (iii) assessment of whether control has passed to the customer based on criteria established in IFRS 15.

#### (d) Inventory

Inventories of finished goods and packing materials 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 are written-down to net realizable value.

#### (e) Equipment

##### (i) Recognition and measurement

Items of equipment are measured at cost less accumulated amortization and accumulated impairment losses. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The costs of the day to day servicing of property and equipment are recognized in the statement of net loss and comprehensive loss in the period in which they are incurred.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

(Unaudited)

### 3. Significant accounting policies (continued):

#### (e) Equipment (continued)

##### (ii) Amortization

Amortization is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Asset	Basis	Rate
Computers and equipment	Straight-line	2- 7 years
Machinery	Straight-line	5 years

#### (f) Intangible assets

##### (i) Patents and trademarks

Costs incurred for patents, patents pending, and trademarks are capitalized and amortized from the date of issuance on a straight-line basis over their respective legal lives or economic life, if shorter. Trademarks have an indefinite life. Costs incurred in successfully obtaining a patent or trademark are measured at cost less accumulated amortization and accumulated impairment losses. The cost of servicing the Company's patents and trademarks is expensed as incurred.

##### (ii) Licenses

The Company's licenses were recorded at cost and amortized over their estimated useful lives.

##### (iii) Other intangible assets

The Company's other intangible assets are recorded at cost and amortized over their estimated useful life.

##### (iv) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

#### (g) Impairment

The carrying amounts of long-lived non-financial assets, including inventory, intangible assets and equipment, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually.

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. A change in any of the significant assumptions or estimates used to evaluate the underlying assets could result in a material change to the results of operations.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

(Unaudited)

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### 3. Significant accounting policies (continued):

#### (g) Impairment (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment had been recognized. Write-downs as a result of impairment are recognized in selling, general and administration expense for commercialized technologies and in research and development expense for technologies that have yet to be commercialized in the consolidated statements of net loss and comprehensive loss.

The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost to sell. The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit ("CGU") being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions.

#### (h) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

##### (ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a personnel expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited)

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### 3. Significant accounting policies (continued):

#### (i) Government grants

An unconditional government grant related to research and development activities is recognized in profit or loss as a deduction from the related expenditure when the grant becomes receivable. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

#### (j) Finance income and finance costs

Finance income comprises interest income on funds invested which is recognized as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings which are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

#### (k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive (loss) income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of 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 for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 enforceable right to offset current tax liabilities and assets, 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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

Scientific research and experimental development tax credits, which are earned as a result of incurring qualifying research and development expenditures, are recorded as a reduction of the related expense or cost of the asset acquired when there is reasonable assurance that they will be realized.

#### (l) Earnings (loss) per share

The Company presents basic earnings (loss) per share ("EPS") data for its common voting shares. Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for own shares held. Common voting share equivalents have been excluded from the calculation of diluted loss per share as their effect is anti-dilutive.

#### (m) Segment reporting

The Company's strategic decision-making group, consisting of the chief executive officer and chief financial officer examine performance of the Company on a geographical perspective, The Company has identified one reportable segment.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods ended May 31, 2019 and 2018  
(Unaudited)

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### 3. Significant accounting policies (continued):

#### (n) Comparative figures

For comparative purposes, certain of the prior period figures may have been reclassified.

#### (o) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective up to the date of issuance of the Company's interim condensed consolidated statements are listed below. The Company is assessing the impact of these pronouncements on its results and financial position. The Company intends to adopt those standards when they become effective.

##### **IFRS 16, Leases**

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, which is when the Company intends to adopt IFRS 16 in its consolidated financial statements. The Company is currently assessing the impact OFRS 16 will have to its consolidated financial statements.



# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited)

### 4. Acquisition of RISE Research:

On February 2, 2018, the Company completed the acquisition of Rise Research Inc. ("RR") via a three-cornered amalgamation with the Company's wholly owned subsidiary 1149287 BC Ltd. RR's commercial products are based on a patent pending formula, currently filed with the U.S. Patent and Trademark Office, to create precise formulations that may produce specifically targeted effects for various ailments including diabetes however, currently, RR's portfolio consists of formulations focused on sexual health and wellness.

The acquisition of RR was accounted for as an asset acquisition. The purchase price was determined based on IFRS 2 Share Based Payments and allocated as follows:

<b>Purchase price allocation</b>		
<b>Purchase consideration</b>		
9,500,000 common shares at fair value of	\$	2,897,500
3,957,954 warrants at a value of \$0.254 per warrant		1,005,900
Cash		250,000
	\$	<b>4,153,400</b>
<b>Net assets acquired</b>		
Cash	\$	43,469
Furniture & equipment		10,909
Accounts receivable		250,000
Accounts payable		(461,973)
License		4,310,995
	\$	<b>4,153,400</b>

The Company also incurred \$6,668 of costs relating to the acquisition which have been capitalized.

The value of the warrants issued in connection with the acquisition were determined using a Black-Scholes pricing model with the following inputs. Two years expected life, risk free rate of 2.04%, a volatility of 153.66%, strike price of \$0.125 and an annual dividend rate of zero.

The license is highly dependent on the life of the patent which is 20 years from the date of filing. Accordingly, management adopted a useful life of the license of 20 years. As at November 30, 2018, Management performed an impairment assessment of the RR license and determined that the license acquired was impaired. Judgementally, management considered the nature of the licence, its application, if any in its current and future products, the Company's current markets and plans and determined that the current value in use of the license after consideration of all factors was nil.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 5. Acquisition of Life Bloom Organics:

On July 11, 2018, the Company completed the acquisition of 100 percent of the membership interests of Life Bloom Organics through its wholly owned subsidiary RISE Life Science (Colorado) LLC.

The acquisition of Life Bloom Organics was accounted for as a business combination. The purchase price allocation, based on IFRS 3, Business Combinations, is preliminarily allocated as follows:

<b>Purchase price allocation</b>		
<b>Purchase consideration</b>		
1,500,000 common shares at fair value of	\$	179,625
Cash at a fair value of		423,594
	<b>\$</b>	<b>603,219</b>
<b>Net assets acquired</b>		
Cash	\$	20,905
Inventory		32,440
Accounts payable and accrued liabilities		(38,896)
Goodwill		588,769
	<b>\$</b>	<b>603,219</b>

The shares issued in connection with the acquisition have lock-up provisions whereby: i) for the first 12 months from closing, 100% of the payment shares will be subject to lock-up; ii) after 12 months 75% of the payment shares will be subject to lock-up; iii) after 24 months, 50% of the payment shares will be subject to lock-up; iv) after 36 months, no shares will be subject to lock-up. Due to the trading restrictions on the payment shares, the fair value of the shares was determined using the share price on the date of issue less the fair value of put options using the Black-Scholes option pricing model. The inputs used for each of year 1, year 2 and year 3 were as follows:

Lock up time	Stock price	Exercise price	Volatility	Risk free rate	Expected life in years	Annual rate of quarterly dividends
Year 1+ 1day	\$0.31	\$0.31	116.40%	2.02%	1	-
Year 2 +1 day	\$0.31	\$0.31	109.84%	2.05%	2	-
Year 3	\$0.31	\$0.31	148.24%	2.00%	3	-

The payment of cash as part of the purchase price is staggered with \$125,000 USD paid upon signing, \$125,000 USD payable one year from the date of signing and \$125,000 USD two years from the date of signing. The future cash payments were discounted to present value using a discount rate of 18%. The difference between the face value and fair value of the cash will be accreted into interest expense over the term of the payments.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 6. Acquisition of Brandmax Inc.:

On July 11, 2018, the Company completed the acquisition of 100 percent of the issued and outstanding shares of Brandmax Inc. DBA as Cultivate Kind through its wholly owned subsidiary RISE Life Science (Colorado) LLC.

The acquisition of Brandmax Inc. was accounted for as a business combination. The purchase price allocation, based on IFRS 3, Business Combinations, is preliminarily allocated as follows:

<b>Purchase price allocation</b>		
<b>Purchase consideration</b>		
500,000 common shares at fair value of	\$	59,875
Cash at a fair value of		143,588
	<b>\$</b>	<b>203,463</b>
<b>Net assets acquired</b>		
Cash	\$	103,073
Accounts receivable		30,092
Furniture fixtures and equipment		92,741
Intangible asset		6,749
Accounts payable and accrued liabilities		(157,067)
Loans payable		(32,320)
Goodwill		160,195
	<b>\$</b>	<b>203,463</b>

The shares issued in connection with the acquisition have lock-up provisions whereby: i) for the first 12 months from closing, 100% of the payment shares will be subject to lock-up: ii) after 12 months 75% of the payment shares will be subject to lock-up: iii) after 24 months, 50% of the payment shares will be subject to lock-up: iv) after 36 months, no shares will be subject to lock-up. Due to the trading restrictions on the payment shares, the fair value of the shares was determined using the share price on the date of issue less the fair value of put options using the Black-Scholes option pricing model. The inputs used for each of year 1, year 2 and year 3 were as follows:

Lock up time	Stock price	Exercise price	Volatility	Risk free rate	Expected life in years	Annual rate of quarterly dividends
Year 1+ 1day	\$0.31	\$0.31	116.40%	2.02%	1	-
Year 2 +1 day	\$0.31	\$0.31	109.84%	2.05%	2	-
Year 3	\$0.31	\$0.31	148.24%	2.00%	3	-

The payment of cash as part of the purchase price is staggered with \$50,000 USD paid upon signing, \$37,500 USD payable one year from the date of signing and \$37,500 two years from the date of signing. The future cash payments were discounted to present value using a discount rate of 18%. The difference between the face value and fair value of the cash will be accreted into interest expense over the term of the payments.

On November 30, 2018, the Company determined that the goodwill previously recognized upon the acquisition of Brandmax Inc. was impaired and accordingly wrote the Brandmax goodwill to nil.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 7. Contract settlement:

On August 14, 2014, the Company executed an agreement for the sale and distribution of Scout DS® medical devices into China (the "China Agreement"). Under the China Agreement, the Company was to receive an up-front payment of \$150,000 USD within 30 business days of the agreement's execution. This amount was received in September 2014 by the Company. Should the Company not receive Chinese Food and Drug Administration approval, 50% of the up-front payment is refundable under the China Agreement. The \$150,000 USD represented an up-front payment where further services were to be provided or fees received, it was recognized in income over the period of performance of the related activities within revenue.

In December 2016, the Company executed a release and repayment agreement on the China Agreement whereby the Company would repay US\$10,000 on December 31, 2016, US\$140,000 on March 31, 2017 and US\$75,000 on May 31, 2017 in exchange for a release on the China Agreement. Included in accounts payable and accrued liabilities as at May 31, 2019 is CAD \$381,759 (November 30, 2018 - \$351,770) related to this release. During fiscal 2017, the Company made payments of US\$20,000 and has made no further payments since. The payments are subject to interest at a rate of 18% per annum on the outstanding balance and penalty interest of 0.05% daily on any missed payments. For the period ending May 31, 2019, the Company accrued CAD \$24,987 (May 31, 2018 - \$23,929) of interest in relation to this settlement.

### 8. Notes payable:

(a) The following summarizes the Company's promissory notes payable as at May 31, 2019 and May 31, 2018:

	2019		2018	
\$1,611,334 secured promissory note (iii)	\$	1,611,334	\$	1,611,334
Accrued interest		1,542,535		1,187,403
Deferred financing charges		140,000		140,000
	\$	3,293,869	\$	2,938,737
<b>Current portion:</b>				
Principal	\$	700,000	\$	300,000
<b>Long term portion:</b>				
Principal	\$	911,334	\$	1,311,334
Accrued interest and deferred financing charges		1,682,535		1,327,403

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 8. Notes payable (continued):

The note referred to in (iii) below resides in our wholly owned subsidiary Scout Assessment Corp. The note is secured by a general security interest in favor of the lender over all tangible and intangible assets of Scout Assessment Corp., excluding the assets relating to the Scout DS<sup>®</sup>, which were acquired on July 31, 2013.

- (i) On November 19, 2015, a \$1,000,000 non-convertible secured loan agreement, which was originally issued on October 12, 2011 and subsequently modified to mature on December 31, 2015, was extended to March 31, 2016 with accrued interest (12% per annum) due on April 30, 2016. The loan matured during the year ended November 30, 2016 and was combined into a new secured promissory note on June 16, 2016 (Note 8(a)(iii)). Accrued interest of \$397,283 and deferred financing charges of \$70,000 were also combined into the new promissory note.
- (ii) On November 19, 2015, a \$611,334 non-convertible secured loan agreement, which was originally issued in three tranches between January 10, 2014 and March 20, 2014 and subsequently modified to mature on December 31, 2015, was extended to March 31, 2016 with accrued interest (12% per annum) due on April 30, 2016. The loan matured during the year ended November 30, 2016 and was combined into a new secured promissory note on June 16, 2016 (Note 8(a)(iii)). Accrued interest of \$214,909 and deferred financing charges of \$70,000 were also combined into the new promissory note.
- (iii) On June 16, 2016, the Company entered into an amending agreement whereby it combined the notes described in 10(a)(i) and (ii) together with accrued interest and deferred financing charges into a new secured promissory note. The note continues to bear interest at 12% per annum, compounded quarterly, and is to be repaid as follows:
- \$300,000 due on December 31, 2018;
  - \$400,000 due on December 31, 2019;
  - \$600,000 due on December 31, 2020; and
  - \$311,334 plus all accrued interest and any other amounts due on December 31, 2021.
  - The principal and interest payments will be accelerated based on payments of ten percent (10%) of all gross sales on Scout Corp Assets.
  - No principal payments as of May 31, 2019 have been made. At the option of the lender the notes and any accrued interest could become due and payable.

The loan was accounted for as a modification of the previous two loans, as the net present value of the future cash flows were not significantly altered.

Interest expense of \$182,381 (May 31, 2018 – \$161,844) was recognized during the period in relation to these notes.

- (b) The following summarizes the Company's convertible notes payable as at May 31, 2019 and May 31, 2018:

	2019	2018
\$50,000 convertible promissory note (i)	\$ 50,000	\$ 50,000
\$4,035,000 convertible notes (iii)	3,580,574	-
\$1,355,000 convertible notes (iv)	1,195,008	-
\$2,349,000 convertible notes (v)	2,168,885	-
Deferred financing charges (iii)	303,181	-
Equity component being accreted (iii)	491,379	-
Accrued interest	180,471	22,036
	\$ 7,969,498	\$ 72,036
Current portion:		
Principal	\$ 50,000	\$ 50,000
Accrued interest	\$ 180,471	\$ 22,036
Long term portion:		
Principal	\$ 7,739,027	\$ -

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

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### 8. Notes payable (continued):

- (i) On July 31, 2016, a private lender subscribed to a secured convertible note in the amount of \$50,000, bearing interest at 8% per annum and maturing on July 31, 2017. The note was convertible at \$0.20 per share. The net present value of future cash flows of the debt component was determined to be \$45,295 using a discount rate of 20% per annum, which was the interest rate of two promissory notes previously issued. Accordingly, the conversion feature was assigned a value of \$4,705. As of May 31, 2019, 2018, the note is outstanding.
- (ii) On July 31, 2016, a company with an officer who is also an officer of the Company subscribed to a secured convertible note in the amount of \$100,000, bearing interest at 8% per annum and maturing on December 31, 2017. The note is convertible at \$0.20 per share. The net present value of future cash flows of the debt component was determined to be \$87,129 using a discount rate of 20% per. Accordingly, the conversion feature was assigned a value of \$12,871. This note was converted on December 28, 2017 into 500,000 common shares.
- (iii) On November 14, 2018, the Company completed a tranche of units, raising \$4,035,000. The units were issued comprising of convertible notes and warrants. The notes bear interest at 12% per year, paid quarterly in cash to the holders of the notes. The maximum term of the notes is 24 months and the minimum is twelve months, after which time the Company can repay the principle amount of the notes and any accrued but unpaid interest without any penalty or bonus.

At any time prior to repayment of the notes by the Company, the outstanding principal amount of each note and any accrued and unpaid interest is convertible at the sole discretion of the noteholder into common shares of the Company at the conversion price of \$0.15 per share. In addition, the notes are convertible by the Company in its discretion into common shares at the conversion price of \$0.15 per share in the event that the Company's common shares trade at \$0.35 or more for 21 or more consecutive trading days on the Canadian Securities Exchange.

The purchasers of the notes were also issued an aggregate of 26,897,310 common share purchase warrants of the Company where each warrant issued is exercisable for 24 months from the date of issue for \$0.15 per warrant, into (i) one common share, and (ii) one half of one common share purchase warrant (each whole such warrant a "Bonus Warrant"). Each Bonus Warrant shall be exercisable into one Common Share at an exercise price of C\$0.20 per share and shall expire 12 months from the date of its issuance.

- (iv) On December 4, 2018, the Company completed a second tranche of convertible notes, raising an additional \$1,490,000. Units were issued comprising of notes and warrants. The notes bear interest at 12% per year, paid quarterly in cash to the holders of the notes. The maximum term of the notes is 24 months and the minimum is twelve months, after which time the Company can repay the principle amount of the notes and any accrued but unpaid interest without any penalty or bonus.

At any time prior to repayment of Notes by the Company, the outstanding principal amount of each note and any accrued and unpaid interest is convertible at the sole discretion of the noteholder into common shares of the Company at the conversion price of \$0.15 per share. In addition, the notes are convertible by the Company in its discretion into common shares at the conversion price of \$0.15 per share in the event that the Company's common shares trade at \$0.35 or more for 21 or more consecutive trading days on the Canadian Securities Exchange.

The purchasers of the notes in this second tranche closing were also issued an aggregate of 9,932,340 common share purchase warrants of the Company where each warrant issued is exercisable for 24 months from the date of issue for \$0.15 per warrant, into (i) one common share, and (ii) one half of one common share purchase warrant (each whole such warrant a "Bonus Warrant"). Each Bonus Warrant shall be exercisable into one Common Share at an exercise price of C\$0.20 per share and shall expire 12 months from the date of its issuance.

As of May 31, 2019, \$135,000 of the December 4<sup>th</sup> notes have been converted into shares of which 66,666 (\$10,000) remain to be issued.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 8. Notes payable (continued):

- (v) On April 1, 2019, the Company completed a tranche of convertible notes, raising an additional \$2,349,000. Units were issued comprising of notes and warrants. The notes bear interest at 12% per year, paid quarterly in cash to the holders of the notes. The maximum term of the notes is 24 months and the minimum is twelve months, after which time the Company can repay the principle amount of the notes and any accrued but unpaid interest without any penalty or bonus.

At any time prior to repayment of Notes by the Company, the outstanding principal amount of each note and any accrued and unpaid interest is convertible at the sole discretion of the noteholder into common shares of the Company at the conversion price of \$0.15 per share. In addition, the notes are convertible by the Company in its discretion into common shares at the conversion price of \$0.15 per share in the event that the Company's common shares trade at \$0.35 or more for 21 or more consecutive trading days on the Canadian Securities Exchange.

The purchasers of the notes in this tranche were also issued an aggregate of 15,658,434 common share purchase warrants of the Company where each warrant issued is exercisable for 24 months from the date of issue for \$0.15 per warrant, into (i) one common share, and (ii) one half of one common share purchase warrant (each whole such warrant a "Bonus Warrant"). Each Bonus Warrant shall be exercisable into one Common Share at an exercise price of C\$0.20 per share and shall expire 12 months from the date of its issuance.

Certain proceeds of this tranche, together with the notes and warrants issued will be deposited with an escrow agent upon closing. If the Company is successful in completing a CBD-related investment (the "Transaction"), the certificates representing any escrowed units will be automatically released from escrow to the subscribers thereof, and any escrowed proceeds will be automatically released from escrow to the Company. If a Transaction has not closed on or before June 30, 2019, unless otherwise agreed by the Company and subscribers for escrowed units, the escrowed proceeds will be returned to subscribers of escrowed units and the notes and warrants that are part of the escrowed units will be returned to the Company for cancellation.

Subsequent to the period end, the June 30<sup>th</sup> completing the transaction date was extended. See note 13

The November 14<sup>th</sup>, December 4<sup>th</sup> and April 1<sup>st</sup> units issued were classified as a compound financial instrument in accordance with IAS 32. Using the residual method, fair value was first allocated to the convertible notes with the residual to equity. The fair value of the debt component was determined using a comparable debt issued on a standalone basis with no conversion feature. Applying a discount of 19.56%, it was determined that the notes had a fair value of \$ 3,712,200, \$1,370,800 and \$2,115,080 respectively before transaction costs. The warrants have been allocated a fair value of \$312,000, \$108,400 and \$173,120 respectively before transaction costs with the remaining \$32,400 being allocated to the conversion features. The difference between fair value and book value of the notes is being accreted into the statement of loss and comprehensive loss over the term of the debt.

Interest expense of \$445,257 (May 31, 2018 – \$2,619) and accretion expense of \$240,108 (May 31, 2018 - \$nil) were recognized during the period in relation to all these notes.

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 9. Capital stock:

#### (a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares and an unlimited number of class A common voting shares.

#### (b) Shares issued and outstanding

- (a) On December 20, 2017 48,611 warrants of the Company were exercised at \$0.30 per share for gross proceeds of \$14,583.
- (b) On December 28, 2017, the \$100,000 convertible debenture was converted at \$0.20 per share; 500,000 common shares were issued.
- (c) On January 16, 2018, 113,280 warrants of the Company were exercised at \$0.30 per share for gross proceeds of \$33,984.
- (d) On February 2, 2018, the Company acquired 100% of the outstanding shares of RISE. Under the terms of the acquisition, the Company issued 9,500,000 common shares to the shareholders of RISE.
- (e) On April 4, 2018, 51,450 warrants of the Company were exercised at \$0.25 per share for gross proceeds of \$12,863.
- (f) On April 5, 2018, 20,000 warrants of the Company were exercised at \$0.25 per share for gross proceeds of \$5,000.
- (g) On April 17, 2018, 33,333 warrants of the Company were exercised at \$0.25 per share for gross proceeds of \$8,333.
- (h) On April 19, 2018, the Company closed tranches of its non-brokered private placement through the issuance of an aggregate of 7,366,166 units (each a "Unit") at a price of \$0.30 per Unit for gross proceeds of \$2,209,849.80. Each Unit is comprised of one common share ("Common Share") of the Company and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four (24) months from the date of closing of the Tranche at a price of \$0.45 per Common Share. 519,560 finders' warrants which entitle the holder thereof to purchase one Common Share for a period of twenty-four (24) months from the date of closing of the Tranche at a price of \$0.30 per Common Share valued at \$85,100 were issued in connection with the private placement.
- (i) On April 19, 2018, the Company has also issued an aggregate of 83,333 common shares in settlement of an aggregate of \$30,307 of indebtedness with a vendor at a price of \$0.30 per common share
- (j) On April 17, 2019, \$75,000 of the December 4<sup>th</sup> notes were converted into 500,000 common shares.
- (k) On April 26, 2019, \$50,000 of the December 4<sup>th</sup> notes were converted into 333,333 common shares.
- (l) On May 24, 2019, \$10,000 of the December 4<sup>th</sup> notes were converted into 66,666 common shares. The shares as of period end had yet to be issued.



# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods ended May 31, 2019 and 2018  
(Unaudited)

### 9. Capital stock (continued):

#### (c) Options

The Company has a stock option plan which is administered by the Board of Directors of the Company with stock options granted to directors, management, employees, management company employees and consultants as a form of compensation. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the issued and outstanding shares of the Company at any one time.

Changes in the number of options outstanding during the periods ended May 31, 2019 and 2018 are as follows:

		<b>2019</b>		2018
	<b>Options</b>	<b>Weighted Average Exercise Price</b>	Options	Weighted Average Exercise Price
Balance, beginning of period	4,036,300	\$ 0.36	678,000	\$ 0.66
Granted	200,000	0.22	670,000	0.45
Forfeited, cancelled or expired	(666,370)	0.46	(128,000)	0.22
Balance, end of period	3,569,930	\$ 0.33	1,291,600	\$ 0.54
Option exercisable, end of period	3,522,528	\$ 0.33	760,991	\$ 0.63
Weighted average fair value per unit of option granted during the period		\$ 0.22		\$ 0.45

Options outstanding at May 31, 2019 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.22	200,000	4.66 years	\$0.22	200,000
\$0.27	50,000	0.91 years	\$0.27	50,000
\$0.30	2,800,000	2.63 years	\$0.30	2,800,000
\$0.40	356,530	2.37 years	\$0.40	309,128
\$0.45	150,000	0.64 years	\$0.45	150,000
\$2.50	6,000	0.50 years	\$2.50	6,000
\$5.50	6,000	0.16 years	\$5.50	6,000
\$25.00	1,400	3.08 years	\$25.00	1,400
\$0.27- \$25.00	3,569,930	2.29 years	\$0.33	3,522,528

For the period ended May 31, 2019, compensation expense of \$45,306 (May 31, 2018- \$47,860) was recorded in stock based compensation expense to recognize options granted and which had vested.

The compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model. Management judgmentally determined the variables input into the model. The following are the weighted average assumptions:

**May 31, 2019**

May 31, 2018

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited)

Expected option life	5 years	5 years
Risk free interest rate	1.83%	2.11%
Dividend yield	nil	nil
Expected volatility	145%	150%

### 9. Capital stock (continued):

#### (d) Warrants

Changes in the number of warrants outstanding during the six months ended May 31, 2019 and May 31, 2018 are as follows:

	2019			2018		
	Warrants	Amount	Weighted Average Exercise Price	Warrants	Amount	Weighted Average Exercise Price
Balance, beginning of period	50,860,483	\$3,564,643	\$0.28	11,976,262	\$1,157,671	\$0.28
issued on acquisition d(i)	-	-	-	3,957,954	1,005,900	0.12
Issued as compensation d(ii)	1,000,000	-	0.15	-	-	-
Granted, pursuant to private placement (iii)	25,590,774	276,091	0.15	4,202,643	578,500	0.43
Exercised	-	-	-	(266,674)	(25,405)	(0.26)
Expired	(2,544,185)	(320,238)	(0.30)	-	-	-
Balance end of period	74,907,072	\$3,519,696	\$0.25	19,870,185	\$2,716,666	\$0.28
Weighted average remaining contractual life (years)			<b>1.49</b>			<b>1.82</b>

- (i) On February 2, 2018, as part of the acquisition of Rise Research, 3,957,954 warrants of the Company were exchanged for 12,000,000 warrants of Rise Research. The warrants expire on April 31, 2022, have a strike price of \$0.1213 and have a fair value on the date of acquisition of \$1,005,900 which was determined using the Black Scholes pricing model.
- (ii) On January 18, 2019 warrants to purchase 1,000,000 common shares in RISE were issued, each warrant having a three-year term and an exercise price of CDN\$0.15 per common share. The warrants vested upon issuance. The compensation cost of \$145,800 was recognized in stock-based compensation expense in the interim consolidated statement of loss and comprehensive loss.
- (iii) On December 4, 2018 and April 1, 2019, the Company issued units in connection with private placements. Both warrants and notes were issued together a unit (note 8). The fair value was determined using the residual method, first determining the fair value of the notes then the warrants by allocating the residual value, after consideration of the fair value of any conversion features.

The fair value of warrants is determined at the date of measurement using either the residual method where warrants are issued in connection with a compound financial instrument or an option pricing model with the following weighted average assumptions which judgementally determined by management:

	May 31, 2019	May 31, 2018
Expected life	2.0 years	2.0 years
Risk free interest rate	1.82%	1.80-1.93%
Dividend yield	nil	nil
Expected volatility	140%	111-120%

#### (e) Per share amounts

The weighted average number of common shares outstanding for the three and six months ended May 31, 2019 was and 59,588,009 and 59,416,799 respectively (May 31, 2018 – 47,834,299 and 42,217,117). The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

(Unaudited)

### 10. Segment information:

The Company's strategic decision-making group consists of the chief executive officer and chief financial officer. They examine performance of the Company from a geographical perspective. One reportable segment has been identified.

	United States	All Other	Consolidated
Revenue from external customers (i) \$	700,683 \$	- \$	700,683
Non-current assets	760,033	190,738	950,771
Comprehensive loss	1,492,838	2,189,575	3,682,413

i) All revenues were generated within the United states

### 11. Commitments and contingencies:

#### (a) Commitments

As at May 31, 2019 and in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

#### (b) Guarantees

The Company may periodically enter into research and license agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of claims arising from research and development activities undertaken on behalf of the Company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying interim condensed consolidated financial statements with respect to these indemnification obligations.

#### (c) Royalties

The Company is obligated to pay royalties to PreMD based on any future commercial sales of PreVu<sup>®</sup> Skin Cholesterol test equal to 10% of gross revenue associated with PreVu<sup>®</sup>. The Company retains the right to buy-out the royalty at anytime for a one-time payment of \$1,000,000. There were no royalties paid or accrued during the period ended May 31, 2019 (May 31, 2018 – nil).

The Company is obligated to pay royalties to Canada-Israel Industrial Research and Development Foundation ("CIIRDF") based on any future product revenues, if any, from the exploitation of the preeclampsia technology contemplated in the project funding agreement equal to 2.5 percent up to a maximum of the amounts funded under the agreement. There were no royalties paid or accrued during the period ended May 31, 2019 (May 31, 2018 – nil).

The Company is obligated to pay a royalty to MSH, subject to minimum annual royalties, of a stipulated percentage of the net sales of licensed products related to the worldwide rights to commercialize a portfolio of biomarkers for use in developing diagnostic assays for the early detection of preeclampsia, if any, along with other milestone payments. If the Company sub-licenses any rights under the MSH Agreement to a third party, the Company shall pay MSH a stipulated percentage of sub-license fee and sub-license royalty fee. There were no royalties paid or accrued during the period ended May 31, 2019 (May 31, 2018 – nil).

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Six Month Periods Ended May 31, 2019 and 2018

(Unaudited)

### 11. Commitments and contingencies (continued):

#### (d) Contingencies

A claim for breach of performance was lodged against the Company and certain directors of the Company. The Company has assessed the claim as being without merit. During the period the claimant offered a settlement. The Company settled for \$6,500.

A summary judgement has been made against the Company which pertains to prior years. The Company has not accrued any amounts with respect to this claim during the period to date.

### 12. Related party transactions:

#### (a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chief Executive Officer, Chief Operations Officer and Chief Financial Officer are key management personnel.

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan (note 9(c)). Compensation paid to key management personnel for the periods ended May 31, 2019 and 2018 is as follows:

	2019	2018
Salaries, fees and short-term employee benefits	\$ 632,798	\$ 160,050
Stock-based compensation	214,901	-
	\$ 847,699	\$ 160,050

#### (b) Key management personnel and shareholder transactions

Included in accounts payable and accrued liabilities as at May 31, 2019 is \$323,221 (November 30, 2018 \$815,662) due to directors and key management.

### 13. Subsequent events

On June 10, 2019, \$25,000 of the December 4<sup>th</sup> notes were converted into 166,666 common shares.

On June 30, 2019, the Company extended the date from June 30, 2019 to July 15, 2019 for when proceeds in escrow from its April 1<sup>st</sup> financing may be released.

On July 15, 2019, the Company extended the date from July 15, 2019 to a date to be determined for when proceeds in escrow from its April 1<sup>st</sup> financing may be released.