

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

# **RISE LIFE SCIENCE CORP.**

Years ended November 30, 2019 and 2018



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## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of RISE Life Science Corp.:**

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### *Opinion*

We have audited the consolidated financial statements of RISE Life Science Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at November 30, 2019 and the consolidated statement of net loss and comprehensive loss, consolidated statement of changes in shareholders' deficiency and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2(d) in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$7,155,896 during the year ended November 30, 2019 and has a deficit as at November 30, 2019 of \$45,003,924 and negative working capital of \$9,292,754. These conditions, along with other matters as set forth in Note 2(d), indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matter*

The consolidated financial statements of the Company for the year ended November 30, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 1, 2019.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion.

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



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

The engagement partner on the audit resulting in this independent auditor's report is John C. Sinclair.

Toronto, Ontario  
April 6, 2020

*Baker Tilly WM LLP*

Chartered Professional Accountants  
Licensed Public Accountants

# RISE LIFE SCIENCE CORP.

## Consolidated Statements of Financial Position

Years ended November 30, 2019 and 2018

As at	Note	2019	2018
<b>Assets</b>			
Current assets:			
Cash		\$ 254,170	\$ 3,878,161
Restricted cash	10b(iv)	1,925,000	-
Accounts receivable	4	74,251	437,723
Prepaid expenses		144,498	96,465
Inventory	5	58,375	214,111
Total current assets		2,456,294	4,626,460
Non-current assets:			
Prepaid expenses		-	119,200
Property and equipment	6	115,840	116,331
Intangible assets	7	-	196,266
Goodwill	7	592,100	592,660
		707,940	1,024,457
<b>Total assets</b>		<b>\$ 3,164,234</b>	<b>\$ 5,650,917</b>
<b>Liabilities and Shareholders' Deficiency</b>			
Current liabilities:			
Accounts payable and accrued liabilities	16, 18	\$ 2,152,742	\$ 2,311,102
Secured promissory notes	10(a)	3,488,540	300,000
Convertible notes	10(b)	6,107,766	104,503
Total current liabilities		11,749,048	2,715,605
Non-current liabilities:			
Accounts payable and accrued liabilities		-	167,007
Deferred charge		12,053	-
Secured promissory notes	10(a)	-	1,311,334
Convertible notes	10(b)	1,480,433	3,444,781
Accrued interest	10(a)	-	1,500,154
Total non-current liabilities		1,492,486	6,423,276
Shareholders' equity (deficiency):			
Share capital	11	24,997,334	24,855,477
Contributed surplus		7,381,532	5,984,732
Warrants	11	2,592,546	3,564,643
Other comprehensive loss		(44,788)	(15,668)
Accumulated deficit		(45,003,924)	(37,877,148)
Total shareholders' deficiency		(10,077,300)	(3,487,964)
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 3,164,234</b>	<b>\$ 5,650,917</b>
Going concern	2(d)		
Commitments and contingencies	16		
Subsequent events	19		

On behalf of the Board:

"Ashwath Mehra"  
Director

"Scott Secord"  
Director

# RISE LIFE SCIENCE CORP.

## Consolidated Statements of Net Loss and Comprehensive Loss

Years ended November 30, 2019 and 2018

	Note	2019	2018
<b>Revenues</b>			
Product sales and other income	12	\$ 974,269	\$ 186,025
<b>Cost of sales</b>			
Cost of sales	5	(636,121)	(49,366)
<b>Gross Margin</b>		338,148	136,659
<b>Expenses</b>			
Selling, general and administration	8	5,249,078	4,589,442
Finance	15	1,719,270	447,566
Foreign exchange (gain) loss		(5,682)	7,890
Contract and debt settlement, net		-	(11,107)
Stock based compensation	11(c)(d)	293,812	841,891
Write off of equipment	6	26,653	13,480
Impairment of intangible assets	7	181,793	5,942,417
Impairment of goodwill	7	-	161,253
		7,464,924	11,992,832
Net loss		\$ (7,126,776)	\$ (11,856,173)
<b>Other comprehensive loss</b>			
Currency translation differences		(29,120)	(15,668)
<b>Comprehensive loss</b>		\$ (7,155,896)	\$ (11,871,841)
Basic and diluted weighted average shares outstanding	11(e)	58,055,316	50,028,989
Basic and diluted loss per share		\$ (0.12)	\$ (0.24)

# RISE LIFE SCIENCE CORP.

## Consolidated Statements of Changes in Shareholders' Deficiency

	Note	Number of common shares	Share capital	Contributed surplus	Warrants	Other comprehensive loss	Accumulated deficit	Total deficiency
Balance, November 30, 2017		33,836,449	\$19,033,623	\$5,132,042	\$1,157,671	\$ -	\$(26,020,975)	\$(697,639)
Net loss							(11,856,173)	(11,856,173)
Other comprehensive (loss) income			-	-	-	(15,668)	-	(15,668)
Acquisition of Rise Research		9,500,000	2,897,500	-	1,005,900	-	-	3,903,400
Acquisition of Life Bloom Organics		1,500,000	179,625	-	-	-	-	179,625
Acquisition of Brand Max Inc.		500,000	59,875	-	-	-	-	59,875
Exercise of warrants		366,674	138,633	-	(38,885)	-	-	99,748
Conversion of notes		500,000	100,000	-	-	-	-	100,000
Private placements		12,957,231	2,893,569	10,799	1,439,957	-	-	4,344,325
Share issuance costs			(472,348)	-	-	-	-	(472,348)
Stock based compensation			-	841,891	-	-	-	841,891
Settlement of debt		83,333	25,000	-	-	-	-	25,000
<b>Balance, November, 2018</b>		<b>59,243,687</b>	<b>\$24,855,477</b>	<b>\$5,984,732</b>	<b>\$3,564,643</b>	<b>\$ (15,668)</b>	<b>\$(37,877,148)</b>	<b>\$ (3,487,964)</b>
Net Loss							(7,126,776)	(7,126,776)
Other comprehensive (loss) income						(29,120)		(29,120)
Conversion of notes		1,066,665	141,857	-	-	-	-	141,857
Private placements		-	-	21,600	109,291	-	-	130,891
Expiry of warrants		-	-	1,081,388	(1,081,388)	-	-	-
Stock based compensation		-	-	293,812	-	-	-	293,812
<b>Balance, November 30, 2019</b>		<b>60,310,352</b>	<b>\$24,997,334</b>	<b>\$7,381,532</b>	<b>\$2,592,546</b>	<b>\$ (44,788)</b>	<b>\$(45,003,924)</b>	<b>\$(10,077,300)</b>

# RISE LIFE SCIENCE CORP.

## Consolidated Statements of Cash Flows

Years ended November 30, 2019 and 2018

	2019	2018
<b>Operating activities:</b>		
Net loss for the year	\$ (7,126,776)	\$ (11,856,173)
Items not involving cash:		
Amortization and depreciation	52,768	303,340
Finance expense	1,189,757	447,359
(Gain) loss from foreign exchange	(5,682)	7,890
Stock based compensation	293,812	841,891
Contract and debt settlement	-	(11,107)
Impairment of intangible assets	181,793	5,942,417
Impairment of equipment	26,653	13,480
Impairment of goodwill	-	161,253
Loss on disposal of property and equipment	2,750	-
Change in non-cash working capital balances:		
Restricted cash	(1,925,000)	-
Accounts receivable	363,461	(249,919)
Prepaid expenses	71,150	(202,745)
Inventory	155,609	(178,516)
Accounts payable and accrued liabilities	(399,591)	808,747
Deferred charge	12,047	-
Cash used in operating activities	(7,107,249)	(3,972,083)
<b>Investing activities:</b>		
Cash acquired in acquisition	-	167,445
Intangible assets acquired	-	(687,992)
Property and equipment acquired	(68,380)	(23,912)
Cash used in investing activities	(68,380)	(544,459)
<b>Financing activities:</b>		
Proceeds from private placement less share issue costs	-	3,514,163
Proceeds from exercise of warrants	-	74,763
Proceeds from debt financing	3,686,142	3,734,244
Repayment of debt financing	(134,198)	(3,564)
Cash provided by financing activities	3,551,944	7,319,606
Change in cash due to foreign exchange	(306)	9,123
(Decrease) increase in cash	(3,623,991)	2,812,187
Cash, beginning of the year	3,878,161	1,065,974
Cash, end of the year	\$ 254,170	\$ 3,878,161



# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 1. Reporting Entity:

RISE Life Science Corp. (the "Company") is a company domiciled and incorporated in Canada. The address of the Company's registered office is 100 King Street West, Suite 5600, PO Box 270 Toronto, Ontario M5X 1C9. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on April 6, 2020.

#### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries, Jamaica-Blu Ltd, Rise Research Inc., Scout Assessment Corp., Rise Life Science (Colorado), LLC, Brand Max Inc. (doing business as Cultivate Kind) and Life Bloom Organics, LLC (the "Group").

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 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 2. Basis of Preparation of the Consolidated Financial Statements (continued):

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

If the Group loses control over a subsidiary, it:

- 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 loss to profit or loss or retained accumulated deficit, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

#### (c) Basis of measurement

These 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 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. The Company incurred a comprehensive loss of \$7,155,896, had negative cash outflows from operations since incorporation and has accumulated a deficit of \$45,003,924 as at November 30, 2019 (November 30, 2018 - \$37,877,148) and negative working capital of \$9,292,754 (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, 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 launch 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 10.

The ability of the Company to continue as a going concern and to realize the carrying amount 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 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 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 amounts of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

#### (e) Functional and presentation currency

The 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 U.S. operations have a functional currency of United States dollars. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 2. Basis of Preparation of the Consolidated Financial Statements (continued):

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

The preparation of these 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 judgements in the process of applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include what constitutes consideration versus remuneration, allocation of consideration to identifiable assets and liabilities, the commencement of the period of use of acquired intellectual property 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 the 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 consolidated financial statements:

- Note 3g: The measurement and period of use of intangible assets including patents and trademarks.
- Note 3i(ii): The assumptions and valuation technique used to estimate the value of share-based payment transactions.
- Note 10: The assumptions used to fair value the debt component, the conversion feature and associated warrants on initial recognition.
- Note 11: The assumptions used to value options and warrants issued.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 3. Significant Accounting Policies:

#### (a) Foreign currency translation

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 statement of financial position. 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 consolidated statements of net loss and comprehensive loss.

Assets and liabilities of Rise Life Science (Colorado), LLC, Brand Max 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:

	Original (IFRS 39)	Revised (IFRS 9)
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Secured promissory notes	Other financial liabilities	Amortized cost
Accrued interest	Other financial liabilities	Amortized cost
Convertible notes	Other financial liabilities	Amortized cost

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 3. Significant Accounting Policies (continued):

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

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 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, judgement is required to establish fair values.

##### 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 finance 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.

##### De-recognition

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.

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

##### Impairment of financial assets

The impairment model under IFRS 9 is applicable to financial assets measured at amortized cost where any expected credit losses (ECL) are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial assets subject to ECL are accounts receivable which are measured at amortized cost. The Company has elected to apply the simplified approach to estimating ECL 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 3. Significant Accounting Policies (continued):

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

##### 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, secured promissory notes and convertible notes 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 expense in the consolidated statements of net loss and comprehensive loss.

##### De-recognition

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

#### (c) 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.

#### (d) 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.

#### (e) Revenue recognition

The Company, as of December 1, 2018, adopted IFRS 15, Revenue from Contracts with Customers. The adoption of IFRS 15 had no impact to the financial statements of the Company. Revenue from the sales of product is recognized when the contract has commercial substance and 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. In the case of other revenue, recognition occurs when services have been delivered and collection is reasonably assured.

#### (f) Fair value recorded as a result of business combinations or asset acquisitions

The determination of fair values to the net identifiable assets acquired in business combinations or asset 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 the purchase price allocation.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 3. Significant Accounting Policies (continued):

#### (g) 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. The Company reviews inventory for obsolete and slow-moving goods and any such inventory are written-down to net realizable value.

#### (h) Property and 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.

##### (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	Years
Computers and equipment	Straight-line	2-7
Machinery	Straight-line	3-7

#### (i) Intangible assets

##### (i) Patents and trademarks

Costs incurred for patents and trademarks are capitalized. Patents are 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 and therefore are not amortized. 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 3. Significant Accounting Policies (continued):

#### (j) Impairment

##### (i) Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss for financial assets carried at amortized cost. The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

##### (ii) Non-financial assets

The carrying amounts of non-financial assets, intangible assets and property 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 amount 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 carrying amount of the asset and/or its recoverable amount.

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 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 the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less cost of disposal.



# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 3. Significant Accounting Policies (continued):

#### (k) 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.

#### (l) 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.

#### (m) 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.

#### (n) 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 3. Significant Accounting Policies (continued):

#### (n) Income tax (continued)

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.

#### (o) 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.

#### (p) Segment reporting

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

#### (q) Comparative figures

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

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

Certain new standards, interpretations and amendments to existing standards issued by the IASB or IFRIC that are not yet effective up to the date of issuance of the Company's 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 becomes effective for the Company December 1, 2019. The final impact of adoption has not yet been determined.

### 4. Accounts receivable:

The following summarizes the Company's accounts receivable as at November 30, 2019 and 2018:

	2019		2018	
Gross trade accounts receivable	\$	11,239	\$	1,064
Less: allowance for doubtful accounts		-		-
Net trade accounts receivable	\$	11,239	\$	1,064
HST receivable		63,012		436,659
	\$	74,251	\$	437,723

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 5. Inventory:

The following summarizes the Company's inventory as at November 30, 2019 and 2018:

	November 30, 2019	November 30, 2018
Raw materials	\$ 8,723	\$ 51,537
Work in process	-	125,985
Finished goods	\$ 49,652	\$ 36,589
	<b>\$ 58,375</b>	<b>\$ 214,111</b>

During the year, \$40,864 (November 30, 2018 -\$nil) of inventory was written off due to quality assessment procedures. Material costs included in cost of goods sold for the year ended November 30, 2019 was \$487,659 (November 30, 2018 - \$49,366).

### 6. Property and Equipment:

	Computers and equipment	Assets held for lease	Machinery	Total
<b>Cost</b>				
Balance, November 30, 2017	\$ 54,091	\$ 284,741	-	\$ 338,832
Additions	40,568	-	86,996	127,564
Disposals	-	(284,741)	-	(284,741)
Effects of movement in exchange rates	93	-	631	724
Written-off	(15,683)	-	-	(15,683)
<b>Balance, November 30, 2018</b>	<b>\$ 79,069</b>	<b>\$ -</b>	<b>\$ 87,627</b>	<b>\$ 166,696</b>
Additions	30,787	-	37,593	68,380
Disposals	(5,428)	-	-	(5,428)
Effects of movement in exchange rates	(102)	-	(1,070)	(1,172)
Written-off	(42,908)	-	-	(42,908)
<b>Balance, November 30, 2019</b>	<b>\$ 61,418</b>	<b>\$ -</b>	<b>\$ 124,150</b>	<b>\$ 185,568</b>
<b>Depreciation and disposals</b>				
Balance, November 30, 2017	\$ 34,651	\$ 284,741	-	\$ 319,392
Depreciation	11,978	-	5,938	17,916
Disposals	-	(284,741)	-	(284,741)
Written-off	(2,202)	-	-	(2,202)
<b>Balance, November 30, 2018</b>	<b>\$ 44,427</b>	<b>\$ -</b>	<b>\$ 5,938</b>	<b>\$ 50,365</b>
Depreciation	15,528	-	22,767	38,295
Disposals	(2,677)	-	-	(2,677)
Written-off	(16,255)	-	-	(16,255)
<b>Balance, November 30, 2019</b>	<b>\$ 41,023</b>	<b>\$ -</b>	<b>\$ 28,705</b>	<b>\$ 69,728</b>
<b>Carrying amounts</b>				
Balance, November 30, 2018	\$ 28,897	-	\$ 87,434	\$ 116,331
<b>Balance, November 30 2019</b>	<b>\$ 20,395</b>	<b>\$ -</b>	<b>\$ 95,445</b>	<b>\$ 115,840</b>

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 7. Goodwill and Intangible Assets:

	<b>Goodwill</b>
<b>Cost</b>	
Balance, November 30, 2017	\$ -
Addition – Life Bloom Organics, LLC	588,769
Addition – Brand Max Inc.	160,195
Impairment	(161,253)
Effects of movement in exchange rates	4,949
Balance, November 30, 2018	\$ 592,660
Impairment	-
Effects of movement in exchange rates	(560)
Balance, November 30, 2019	\$ 592,100

  

	<b>Intangible assets</b>
<b>Cost</b>	
Balance, November 30, 2016	\$ -
Addition – Jamaica-BLU Ltd., LLC	1,923,485
Less amortization	(24,044)
Balance, November 30, 2017	1,899,441
Addition – Rise Research, LLC	4,310,995
Addition – Other patents	200,210
Addition – Brand Max Inc.	6,749
Addition – Legal fees	6,668
Less amortization	(285,425)
Impairment	(5,942,417)
Effects of movement in exchange rates	45
<b>Balance, November 30, 2018</b>	<b>\$ 196,266</b>
<b>Less amortization</b>	<b>(14,473)</b>
<b>Impairment</b>	<b>(181,793)</b>
<b>Balance, November 30, 2019</b>	<b>\$ -</b>

As part of the Company's annual assessment of its intangible assets, management determined that the fair value of certain assets primarily consisting of patents was lower than carrying value. Management considered the nature of the patents with carrying amount of \$181,793 and its current and expected use if any. The assessment considered the fair market value less price to sell and the asset's value in use. The Company recorded a full impairment charge of \$181,793 based on the patents fair value less price to sell as at November 30, 2019 (2018 - \$5,942,417) in the consolidated statement of loss and comprehensive loss under the heading impairment of intangible assets.

The recoverable amount of the LBO CGU was based on fair value less costs of disposal, estimated using non-binding offers received by the Group for the sale of the CGU from arms-length third parties. Costs of disposal were estimated at 10% of the estimated fair value. The fair value measurement is categorized as a Level 3 fair value (see note 17). Based on the result of the assessment, management concluded that there was no impairment required to be recognized for the CGU.

In November 2018, management assessed the fair value of a license acquired in 2017 pertaining to Jamaica-Blu Ltd, ("Jblu"). 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 license acquired was impaired and that the current value in use, after consideration of all factors was nil. An impairment charge of \$1,810,609 was recorded in the consolidated statement of loss and comprehensive loss under the heading impairment of intangible assets.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 7. Goodwill and Intangible Assets (continued):

The license from acquired from Rise Research Inc. in 2018 was highly dependent on the life of the patent which was 20 years from the date of filing. Accordingly, management adopted a useful life of the License of 20 years however, for the year ended November 30, 2018, management performed an impairment assessment 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. An impairment charge of \$4,131,808 was recorded in the consolidated statement of loss and comprehensive loss under the heading impairment of intangible assets.

On November 30, 2018, the Company also determined that the goodwill previously recognized upon the acquisition of Brand Max Inc. was impaired. Management in its assessment, judgementally considered current areas of focus, resource allocations and expected revenues. Cash flow modelling, applying variables and sensitivities resulted in an impairment charge of \$161,253 which was recognized in the statement of loss and comprehensive loss under the heading goodwill impairment.

### 8. Selling, general and administrative expense:

Included in selling, general and administrative expense for the years ended November 30, 2019 and 2018 are the following:

	2019		2018	
Salaries and related costs	\$	1,370,363	\$	642,849
Amortization and depreciation		52,768		303,340
	\$	1,423,131	\$	946,189

### 9. Capital Disclosures:

The Company's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue investments and opportunities which contribute to the success of the Company while providing shareholder returns. The company attempts to maximise returns to shareholders by also minimizing shareholder dilution and, when possible utilizing non-dilutive funding arrangements.

The Company includes equity comprised of share capital, contributed surplus, warrants and accumulated deficit in its definition of capital. The Company has financed its operations and capital requirements primarily through the issuance of shares and on some occasions, secured and convertible notes since inception.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and risk characteristics of its underlying assets. The Company may issue new shares or raise debt. The Company is not subject to any externally imposed capital requirements and the overall strategy with respect to capital management remains unchanged from the preceding fiscal year.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 10. Notes Payable:

(a) The following summarizes the Company's promissory notes payable as at November 30, 2019 and 2018:

	2019	2018
Secured promissory notes (i)	\$ 1,751,334	\$ 1,751,334
Accrued interest	1,737,206	1,360,154
	\$ 3,488,540	\$ 3,111,488
<b>Current portion:</b>		
Principal	\$ 3,488,540	\$ 300,000
<b>Long term portion:</b>		
Principal	\$ -	1,311,334
Accrued interest and deferred financing charges	-	1,500,154

(i) On June 16, 2016, the Company entered into an amending agreement whereby it extended the terms and maturity of previously issued secured promissory notes together with accrued interest into new secured promissory notes. The notes continue to bear interest at 12% per annum, compounded quarterly, and are 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
- \$451,334 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 Assessment Corp. Assets.
- No principal payments as of November 30, 2019 have been made.

The notes are secured by a general security interest in favor of the lender over all tangible and intangible assets of the Company's subsidiary Scout Assessment Corp., excluding the assets relating to the Scout DS®, which were acquired on July 31, 2013.

Interest expense of \$377,052 (November 30, 2018 – \$329,845) was recognized during the period in relation to these notes.

As a result of not paying the amount due on December 31, 2018, the notes are in default. Accordingly, the principal and all accrued interest have been shown as a current liability.

(b) The following summarizes the Company's convertible notes and other loans payable as at November 30, 2019 and 2018:

	2019	2018
\$50,000 convertible promissory note (i)	\$ 50,000	\$ 50,000
\$4,035,000 convertible notes (ii)	3,709,417	3,425,107
\$1,330,000 convertible notes (iii)	1,215,872	-
\$274,000 convertible notes (iv)	254,062	-
Escrowed funds (iv)	1,925,000	-
Loan	19,736	28,911
Accrued interest	414,112	45,266
	\$ 7,588,199	3,549,284
Less: Current portion	6,107,766	104,503
Non-current portion	\$ 1,480,433	3,444,781

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 10. Notes Payable (continued):

- (b) The following summarizes the Company's convertible notes payable as at November 30, 2019 and 2018 (continued):

The following reconciles the carrying value of the convertible notes and other loans payable to their face value:

	2019		2018
Discounted balance			
Add: Unaccreted portion of discount related to	\$ 7,588,199	\$	3,549,284
Deferred financing charges (v)	216,635		294,168
Debt fair value adjustment being accreted (v)	243,014		315,725
	\$ 8,047,848	\$	4,159,177
Less: Current portion	6,433,349		124,177
Long term portion	\$ 1,614,499	\$	4,035,000

- (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 is 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 November 30, 2019, the note is outstanding.

- (ii) On November 14, 2018, the Company completed a tranche of units (the "November 14<sup>th</sup>" units), raising \$4,035,000. The units were issued comprising of convertible notes and warrants. The notes bear interest at 12% per year, to be paid quarterly in cash to the holders of the notes. The maximum term of the notes is 24 months and the minimum is 12 months, after which time the Company can repay the principal 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.

- (iii) On December 4, 2018, the Company completed a second tranche of units (the "December 4<sup>th</sup>" units), raising an additional \$1,490,000. Units issued comprised of notes and warrants. The notes bear interest at 12% per year, to be paid quarterly in cash to the holders of the notes. The maximum term of the notes is 24 months and the minimum is 12 months, after which time the Company can repay the principal 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 10. Notes Payable (continued):

(b) The following summarizes the Company's convertible notes payable as at November 30, 2019 and 2018 (continued):

(iii) (continued)

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 November 30, 2019, \$160,000 of the December 4th notes have been converted into shares.

(iv) On April 1, 2019, the Company completed a tranche of units (the "April 1<sup>st</sup>" units), raising an additional \$274,000. Units issued comprised of convertible notes and warrants. The notes bear interest at 12% per year, to be paid quarterly in cash to the holders of the notes. The maximum term of the notes is 24 months and the minimum is 12 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 1,826,484 common share purchase warrants of the Company. 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.

Also, on April 1, 2019, the Company raised an additional \$2,050,000 which was deposited with an escrow agent. The escrowed funds were to be released to the Company for the purchase of additional April 1<sup>st</sup> units providing the Company was successful in completing a CBD-related investment (the "Transaction") within the agreed upon time. Should the Company fail to complete the Transaction, then the escrowed funds would be returned to the subscribers. The additional \$2,050,000 has been recorded at face value and the funds held in escrow shown as restricted cash.

Prior to November 30, 2019, \$125,000 of cash held in escrow was returned to subscribers. The remaining amount of \$1,925,000 was returned subsequent to year end. See subsequent events (note 19).

(v) The November 14, 2018, December 4, 2019 and April 1, 2019 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 with reference to a comparable debt issued on a standalone basis with no conversion feature. Applying a discount of 18%, it was determined that the notes except for those held in escrow had a fair value of \$ 3,712,200, \$1,370,800 and \$252,080 respectively before transaction costs. The conversion features were allocated a fair value of \$32,400 and the warrants were allocated a fair value of \$312,000, \$108,400 and \$11,120 respectively before transaction costs. The difference between fair value and face value of the notes is being accreted into the statement of loss and comprehensive loss over the term of the debt. Upon conversion to common shares, any unaccreted differences between fair value and face value are applied to equity.

Interest expense of \$834,169 (November 30, 2018 – \$25,850) and accretion expense of \$390,850 (November 30, 2018 - \$13,664) were recognized during the period in relation to all these notes. \$232,566 of interest is past due as of November 30, 2019 and remains unpaid.



# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

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### 11. Share Capital:

#### (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. No class A common voting shares have been issued.

#### (b) Shares issued and outstanding

- (i) On December 20, 2017 48,611 warrants of the Company were exercised at \$0.30 per share for gross proceeds of \$14,583.
- (ii) On December 28, 2017, a \$100,000 convertible debenture was converted at \$0.20 per share; 500,000 common shares were issued.
- (iii) On January 16, 2018, 113,280 warrants of the Company were exercised at \$0.30 per share for gross proceeds of \$33,984.
- (iv) On February 2, 2018, the Company acquired 100% of the outstanding shares of Rise Research Inc. Under the terms of the acquisition, the Company issued 9,500,000 common shares to the shareholders of Rise Research Inc.
- (v) On April 4, 2018, 51,450 warrants of the Company were exercised at \$0.25 per share for gross proceeds of \$12,863.
- (vi) On April 5, 2018, 20,000 warrants of the Company were exercised at \$0.25 per share for gross proceeds of \$5,000.
- (vii) On April 17, 2018, 33,333 warrants of the Company were exercised at \$0.25 per share for gross proceeds of \$8,333.
- (viii) 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 at a price of \$0.30 per unit for gross proceeds of \$2,209,850. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. 3,683,083 warrants were issued and valued at \$493,400 using the Black-Scholes pricing model. Each full warrant entitles the holder thereof to purchase one common share for a period of twenty-four (24) months from the date of closing at a price of \$0.45 per common share and were valued using the Black-Scholes pricing model. In addition, 519,560 finders' warrants were issued in connection with the private placement. The finders warrants were valued at \$85,100 using the Black-Scholes pricing model entitle the holder thereof to purchase one common share for a period of twenty-four (24) months from the date of closing at a price of \$0.30 per common share.
- (ix) 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
- (x) On June 29, 2018 100,000 warrants of the Company were exercised at \$0.25 per share for gross proceeds of \$25,000.
- (xi) On July 3, 2018, the Company closed tranches of its non-brokered private placement through the issuance of an aggregate of 4,824,399 units at a price of \$0.30 per unit for gross proceeds of \$1,447,320. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. 2,412,199 warrants were issued and valued at \$450,800 using the Black-Scholes pricing model. Each warrant entitles the holder thereof to purchase one common share for a period of twenty-four (24) months from the date of closing at a price of \$0.45 per common share. 322,912 finders' warrants were issued in connection with the private placement. The finders warrants were valued at \$69,700 using the Black-Scholes pricing model entitle the holder thereof to purchase one Common Share for a period of twenty-four (24) months from the date of closing at a price of \$0.30 per common share.
- (xii) On July 11, 2018, the Company acquired 100% of the outstanding shares of Life Bloor Organics and Brand Max Inc. Under the terms of the acquisition, the Company issued at fair value 1,500,000 common shares to the shareholders of Life Bloom Organics and 500,000 common shares to the shareholders of Brand Max Inc.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 11. Share Capital:

#### (b) Shares issued and outstanding (continued)

- (xiii) On August 1, 2018, the Company closed tranches of its non-brokered private placement through the issuance of an aggregate of 766,666 units at a price of \$0.30 per unit for gross proceeds of \$230,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase 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 at a price of \$0.45 per Common Share. 74,544 finder warrants were issued in connection with the private placement. The finders warrants valued at \$11,300 using the Black-Scholes pricing model entitle the holder thereof to purchase one common share for a period of twenty-four (24) months from the date of closing at a price of \$0.30 per common share.
- (xiv) On April 17, 2019, \$75,000 of the December 4th notes were converted into 500,000 common shares.
- (xv) On April 26, 2019, \$50,000 of the December 4th notes were converted into 333,333 common shares.
- (xvi) On May 24, 2019, \$10,000 of the December 4th notes were converted into 66,666 common shares.
- (xvii) On June 10, 2019, \$25,000 of the December 4th notes were converted to 166,666 common shares.

#### (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 years ended November 30, 2019 and 2018 are as follows:

	2019		2018	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance, beginning of year	\$ 4,036,300	\$ 0.36	\$ 678,000	\$ 0.66
Granted	500,000	0.18	3,920,000	0.32
Forfeited, cancelled or expired	(984,900)	0.47	(561,700)	0.65
Balance, end of year	\$ 3,551,400	\$ 0.30	\$ 4,036,300	\$ 0.36
Options exercisable, end of year	\$ 3,529,202	\$ 0.30	\$ 3,565,017	\$ 0.36
Weighted average fair value of options granted during the year	\$ -	\$ 0.18	\$ -	\$ 0.32

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 11. Share Capital (continued):

#### (c) Options (continued)

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.15	300,000	3.46 years	\$0.15	300,000
\$0.22	200,000	4.16 years	\$0.22	200,000
\$0.27	50,000	0.41 years	\$0.27	50,000
\$0.30	2,650,000	2.57 years	\$0.30	2,650,000
\$0.40	200,000	3.45 years	\$0.40	177,802
\$0.45	150,000	0.14 years	\$0.45	150,000
\$25.00	1,400	2.58 years	\$25.00	1,400
<b>\$0.15 - \$25.00</b>	<b>3,551,400</b>	<b>2.65 years</b>	<b>\$0.30</b>	<b>3,529,202</b>

For the year ended November 30, 2019, option compensation expense of \$77,213 (November 30, 2018 - \$817,434) was recognized for 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 judgementally determined the variables input into the model. The following are the weighted average assumptions:

	November 30, 2019	November 30, 2018
Expected option life	5 years	5 years
Market price	\$0.15	\$0.28
Strike price	\$0.18	\$0.31
Risk free interest rate	1.45%	2.23%
Dividend yield	nil	nil
Expected volatility	143%	148%

#### (d) Warrants

Changes in the number of warrants outstanding during the years ended November 30, 2019 and November 30, 2018 are as follows

	2019			2018		
	Warrants	Amount	Weighted Average Exercise Price	Warrants	Amount	Weighted Average Exercise Price
Balance, beginning of year	\$ 50,860,483	\$ 3,564,643	\$ 0.22	\$ 11,976,262	\$ 1,157,671	\$ 0.28
Issued on acquisition d(i)	-	-	0.12	3,957,954	1,005,900	0.12
Issued as compensation d(ii)(iii)	1,000,000	-	0.15	1,000,000	-	0.45
Granted, pursuant to private placement	11,758,824	109,291	0.15	34,292,941	1,439,957	0.21
Exercised	-	-	-	(366,674)	(38,885)	(0.26)
Expired	(12,258,567)	(1,081,388)	(0.27)	-	-	-
Balance end of year	\$ 51,360,740	\$ 2,592,546	\$ 0.19	\$ 50,860,483	\$ 3,564,643	\$ 0.22
Weighted average remaining contractual life (years)			<b>1.06</b>			<b>1.75</b>

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 11. Share Capital (continued):

#### (d) Warrants (continued)

- (i) On February 2, 2018, as part of the acquisition of Rise Research Inc., 3,957,954 warrants of the Company were exchanged for 12,000,000 warrants of Rise Research Inc. The warrants expire on April 31, 2022, have a strike price of \$0.1213 and had 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, 1,000,000 warrants to purchase common shares of the Company were issued for services rendered. They were valued using the Black-Scholes pricing model. They have a strike price of \$0.15 and a fair value of \$145,800.
- (iii) On July 11, 2018 warrants to purchase 1,000,000 common shares of the Company were issued, each warrant having a five-year term and an exercise price of CDN\$0.45 per common share. The warrants vest as to one-third 12 months after closing, and additional one-third vest 24 months after closing, and the balance of one-third vest 36 months after closing. The compensation cost of the warrants is being recognized on a straight-line basis over the vesting period. The Company recognized \$70,800 in compensation expense (November 30, 2018 - \$37,895) to recognize warrants granted and which had vested.
- (iv) On December 4, 2018 and April 1, 2019, the Company issued units in connection with private placements. Both warrants and notes were issued together as a unit (note 10). 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.
- (v) The Company has 19,328,067 (November 30, 2018 – 13,448,655) warrants contingently issuable upon the exercise of warrants issued in connection with private placements (note 10 (ii)(iii)(iv)).

During the year ending November 30, 2019, compensation expense of \$216,599 (November 30, 2018 - \$24,457) was recognized for warrants granted and vested.

The fair value of warrants was determined at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions, judgementally determined by management:

	2019	2018
Expected option life	2 years	1.78 years
Market price	\$0.20	\$0.32
Strike price	\$0.15	\$0.32
Risk free interest rate	1.82%	1.95%
Dividend yield	nil	nil
Expected volatility	140%	126%

#### (e) Per share amounts

The weighted average number of common shares outstanding for the year ended November 30, 2019 and 2018 was 58,055,316 and 50,028,989 respectively. The dilution created by options, warrants and convertible notes has not been reflected in the per share amounts as the effect would be anti-dilutive.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 12. Revenue:

In the current year, the Company generates revenue from the sale of product which is either sold online, through the Company's business to business network or through distribution deals and or partnerships. In the prior year, in addition to the sale of product, certain revenues characterised as other were recognized which principally consisted of consulting revenue.

In the following table, revenue for the year ended November 30, 2019 and 2018 is disaggregated by channel of revenue and timing of revenue recognition.

	2019	2018
<b>Revenue channel</b>		
Online	\$ 171,231	\$ 28,528
Business to business	397,684	83,094
Distribution and partnerships	405,354	-
Other	-	74,403
	<b>\$ 974,269</b>	<b>\$ 186,025</b>
<b>Timing of revenue recognition</b>		
Transfer of control	974,269	111,622
Completion of service	-	74,403
	<b>\$ 974,269</b>	<b>\$ 186,025</b>

### 13. Segment Information:

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

	2019			2018		
	United States	All Other	Consolidated	United States	All Other	Consolidated
Revenue from external customers (i)	\$ 974,269	\$ -	\$ 974,269	\$ 186,025	\$ -	\$ 186,025
Non-current assets	706,013	1,927	707,940	692,901	331,556	1,024,457
Comprehensive loss	2,966,883	4,189,013	7,155,896	1,096,641	10,775,199	11,871,840

(i) All revenues were generated within the United states

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 14. Income Taxes:

The reconciliation of the 2019 combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 – 26.5%) to the effective tax rate is as follows:

	2019	2018
Loss for the year before income taxes	(7,126,776)	(11,856,173)
Expected income tax recovery	\$ (1,898,831)	\$ (3,141,890)
Tax rate changes and other adjustments	162,242	78,030
Permanent differences	105,172	1,923,380
Undeducted share issue costs	-	(125,170)
Utilization of losses not previously recognized	\$ -	\$ 90,100
Change in tax benefits not recognized	1,631,417	1,175,550
Income tax expense	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize these benefits:

As at November 30, 2019, the following deductible temporary differences have not been recognized:

	2019	2018
Non-capital loss carry-forwards	\$ 22,477,000	\$ 21,741,000
Non-capital loss carry-forwards - US	4,201,000	1,064,000
Scientific research and experimental development expenditures	2,272,000	2,272,000
Intangible assets	-	1,600,000
Scientific research and experimental development tax credits	470,000	470,000
Share issue costs	406,000	352,000
Property and equipment	1,797,000	497,000

Non-capital losses carried forward expire between 2026 and 2039. The U.S. net operating loss carry forwards expire in 2038. Scientific research and experimental development tax credits can be applied against income taxes otherwise payable and expire by 2031. Share issue and financing costs will be fully amortized in 2022. The remaining temporary differences may be carried forward indefinitely.

The Company's non-capital income tax losses expire as follows:

2026	\$ 477,000
2027	729,000
2028	820,000
2029	721,000
2030	832,000
2031	1,134,000
2032	2,194,000
2033	2,756,000
2034	2,211,000
2035	2,264,000
2036	842,000
2037	1,677,000
2038	2,111,000
2039	3,709,000
Total	\$ 22,477,000

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 15. Finance Expense:

During the years ended November 30, 2019 and 2018 the Company incurred finance expense as follows:

	2019	2018
Interest and accretion on notes payable (note 10)	\$ 1,606,081	\$ 423,300
Bank charges and other interest	113,189	24,266
	1,719,270	447,566

During the years ended November 30, 2019 and 2018, the Company paid finance expense as follows:

	2019	2018
Interest and accretion on notes payable (note 10)	\$ 468,700	\$ -
Bank charges and other interest paid	7,862	8,620
	476,562	8,620

### 16. Commitments and Contingencies:

#### (a) Acquisitions

The payment of cash as part of the purchase price for Brand Max Inc. was staggered with \$50,000 USD paid upon signing, \$37,500 USD paid June 1, 2019 and \$37,500 to be paid June 1, 2020. 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 payment due will be recognized as interest expense over the contractual term.

The payment of cash as part of the purchase price of Life Bloom Organics, LLC is staggered with \$125,000 USD paid upon signing, \$121,875 USD paid June 1, 2019 and \$125,000 USD scheduled to be paid June 1, 2020. 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 payment will be recognized as interest expense over the contractual term.

#### (b) Lease

The Company has a lease commitment of \$3,000 per month which extends from the year end to the end of the lease arrangement which is July 31, 2021.

#### (c) Contingencies

From time to time the Company can become subject to legal proceedings, claims, and litigation arising in the ordinary course of business. While the final outcome of these matters is currently not determinable, the Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flow.

# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 17. Financial Instruments and Risk Management:

#### Fair values of financial assets and financial liabilities

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments.

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 carrying amounts of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and secured and convertible notes approximate fair value.

The Company's activities expose it to a variety of financial risks including foreign currency risk, interest rate risk, credit risk, and liquidity risk. These financial instrument risks are actively managed by the Company's management under the policies approved by the Board of Directors. The principal financial risks are managed by the Company's finance department who work hand in hand with the Board and other key management personnel.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate or ensuring terms in place cover risk of loss as a means of mitigating the risk of financial loss from defaults. The Company may use information supplied by independent rating agencies where available, and if not available, the Company may use other publicly available financial information and its own records to rate its customers.

Credit risk arises from cash and deposits with banks as well as credit exposure to outstanding receivables, the carrying amounts represent the Company's maximum exposure to credit risk.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by forecasting its cash needs on a regular basis and seeking additional financing from operations and other sources including debt and equity markets as required.

	Payment due by Period			
	< 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	\$ 2,152,742	\$ -	\$ -	\$ 2,152,742
Secured promissory notes	3,488,540	-	-	3,488,540
Convertible notes	6,433,349	1,614,499	-	8,047,848
	12,074,631	1,614,499	-	13,689,130

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fair value risk with respect to secured notes and convertible notes which bear interest at fixed rates.



# RISE LIFE SCIENCE CORP.

## Notes to the Consolidated Financial Statements

Years ended November 30, 2019 and 2018

### 18. 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, Interim Chief Executive 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 8(c)). Compensation paid to key management personnel for the periods ended November 30, 2019 and 2018 is as follows:

	2019	2018
Salaries, fees and short-term employee benefits	\$ 1,099,223	\$ 1,065,805
Stock-based compensation	221,548	717,685
	\$ 1,320,771	\$ 1,783,490

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

Included in accounts payable and accrued liabilities is \$369,573 (November 30, 2018 \$815,662) due to key management.

### 19. Subsequent Events:

- (a) On December 6th, 2019, the Company announced that it would be returning the escrowed proceeds of its April 1, 2019 financing (note 10(iv)) as the Company did not complete a qualifying CBD related investment. The Company also disclosed that it could not meet its current obligations to holders of its convertible notes issued on November 14, 2018 (note 10(ii), and December 4, 2018 (note 10(iii)) in the aggregate principal amount of \$5,525,000. The Company also can not meet its current obligations to holders of its convertible notes issued on April 1, 2019 which do not form part of the escrowed proceeds in the aggregate amount of \$274,000. To date, none of the note holders or other creditors has taken any action or commenced any proceedings with respect to the enforcement of any of its rights or remedies under such agreements. The Company continues to try to raise sufficient funds to settle all unpaid amounts that are due and payable to creditors or amend its existing agreements with them. However, any default under the notes would have a material adverse effect on the business, financial condition and continued operations of the Company.
- (b) Subsequent to November 30, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.