

Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

## **RISE LIFE SCIENCE CORP.**

Three and Six Months Ended May 31, 2020 and 2019  
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements for the three and six months ended May 31, 2020

# RISE LIFE SCIENCE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

Three Month Periods ended May 31, 2020 and 2019  
(Unaudited)

As at	Note	May 31, 2020	November 30, 2019
<b>Assets</b>			
Current assets:			
Cash		\$ 107,295	\$ 254,170
Restricted cash	6b(iv)	-	1,925,000
Accounts receivable		93,654	74,251
Prepaid expenses		38,342	144,498
Inventory		56,678	58,375
Total current assets		295,969	2,346,294
Non-current assets:			
Property and equipment		103,063	115,840
Right of use asset	3(l)	49,547	-
Goodwill		610,911	592,100
		763,521	707,940
<b>Total assets</b>		<b>\$ 1,059,490</b>	<b>\$ 3,164,234</b>
<b>Liabilities and Shareholders' Deficiency</b>			
Current liabilities:			
Accounts payable and accrued liabilities	11, 13	\$ 2,555,397	\$ 2,152,742
Lease obligation	3(c)	55,086	-
Secured promissory notes	6(a)	3,690,765	3,488,540
Convertible notes	6(b)	6,234,665	6,107,766
Total current liabilities		12,535,913	11,749,048
Non-current liabilities:			
Lease obligation		4,610	-
Loan		40,000	-
Deferred charge		-	12,053
Convertible notes	6(b)	-	1,480,433
Total non-current liabilities		44,610	1,492,486
Shareholders' deficiency:			
Share capital	7	24,997,334	24,997,334
Contributed surplus		8,096,057	7,381,532
Warrants	7	1,883,046	2,592,546
Other comprehensive loss		(207,675)	(44,788)
Accumulated deficit		(46,289,795)	(45,003,924)
Total shareholders' deficiency		(11,521,033)	(10,077,300)
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 1,059,490</b>	<b>\$ 3,164,234</b>
Going concern	2(d)		
Commitments and contingencies	11		
Subsequent events	14		

On behalf of the Board:

"Ashwath Mehra"  
Director

"Scott Secord"  
Director

Director

Director

# RISE LIFE SCIENCE CORP.

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

Three and Six Months ended May 31, 2020 and 2019  
(Unaudited)

Periods ended May 31,	Note	Three months		Six months	
		2020	2019	2020	2019
<b>Revenues</b>					
Product sales and other income	\$	10,049	\$ 600,081	\$ 26,927	\$ 700,683
<b>Cost of sales</b>					
Cost of sales		(3,651)	(286,596)	(9,032)	(331,610)
<b>Gross Margin</b>		6,398	313,485	17,895	369,073
<b>Expenses</b>					
Selling, general and administration		326,623	1,615,109	644,256	2,894,845
Finance expense		405,594	475,460	817,240	858,446
Foreign exchange gain		(88,362)	(78,940)	(162,457)	(78,827)
Stock based compensation		2,173	27,580	5,025	240,022
Impairment of equipment		43	-	1,380	1,474
		646,071	2,039,209	1,305,444	3,915,960
<b>Net loss</b>		(639,673)	(1,725,724)	(1,287,549)	(3,546,887)
<b>Other Comprehensive loss</b>					
Currency translation differences		(89,450)	(84,624)	(162,887)	(135,526)
<b>Comprehensive Loss</b>	\$	(729,123)	\$(1,810,348)	\$(1,450,436)	\$(3,682,413)
Basic and diluted weighted average shares outstanding 7(e)		58,810,352	59,588,009	58,810,352	59,416,799
Basic and diluted loss per share	\$	(0.01)	\$ (0.03)	\$ (0.02)	\$ (0.06)

# RISE LIFE SCIENCE CORP.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Unaudited)

	Note	Number of common shares	Share capital	Contributed surplus	Warrants	Other comprehensive loss	Accumulated deficit	Total deficiency
Balance, November 30, 2018		59,243,687	\$24,855,477	\$5,984,732	\$3,564,643	\$ (15,668)	\$(37,877,148)	\$ (3,487,964)
Net loss							(1,821,162)	(1,821,162)
Other comprehensive (loss) income			-	-	-	(38,909)	-	(38,909)
Private placements		-	-	10,800	98,864	-	-	109,664
Stock based compensation		-	-	212,443	-	-	-	212,442
Expiry of warrants		-	-	352,579	(352,579)	-	-	-
<b>Balance, May 31, 2019</b>		59,243,687	\$24,855,477	\$6,560,553	\$3,310,928	\$ (54,577)	\$(39,698,310)	\$ (5,025,929)
Balance November 30, 2019		63,310,352	24,997,334	7,381,532	2,592,546	(44,788)	(45,003,924)	(10,077,300)
Net Loss							(1,287,549)	(1,287,549)
Other comprehensive (loss) income		-	-	-	-	(162,887)	-	(162,887)
IFRS 16 leases adoption	3(l)	-	-	-	-	-	1,678	1,678
Expiry of warrants		-	-	709,500	(709,500)	-	-	-
Stock based compensation		-	-	5,025	-	-	-	5,025
<b>Balance, May 31, 2020</b>		60,310,352	\$24,997,334	\$8,096,057	\$1,883,046	\$ (207,675)	\$(44,289,795)	\$(11,521,033)

# RISE LIFE SCIENCE CORP.

## Interim Condensed Consolidated Statements of Cash Flows

Six Months ended May 31, 2020 and 2019  
(Unaudited)

	May 31, 2020	May 31, 2019
<b>Operating activities:</b>		
Net loss for the period	\$ (1,287,549)	\$ (3,546,887)
Items not involving cash:		
Amortization and depreciation	35,965	23,845
Finance expense	816,437	461,557
Stock based compensation	5,025	240,022
Impairment of equipment	1,380	1,474
Unrealized foreign exchange gain	(162,457)	(93,151)
Deferred charge	-	11,830
Change in non-cash working capital balances:		
Restricted cash	1,925,000	(2,025,000)
Accounts receivable	(19,072)	(149,260)
Prepaid expenses	106,988	14,686
Inventory	3,522	(86,844)
Accounts payable and accrued liabilities	340,595	(805,051)
Loan payable	-	(4,471)
Cash provided by (used in) operating activities	1,754,061	(5,957,250)
<b>Investing activities:</b>		
Cash acquired in acquisition	-	-
Intangible assets acquired	-	-
Property and equipment acquired	-	(56,515)
Cash used in investing activities	-	(56,515)
<b>Financing activities:</b>		
Proceeds from debt financing less issue costs	40,000	3,711,142
Repayment of debt financing	(1,929,811)	-
Payment of lease obligation	(11,859)	-
Cash (used in) provided by financing activities	(1,901,670)	3,711,142
Change in cash due to foreign exchange	734	9,369
Decrease in cash	(146,875)	(2,293,254)
Cash, beginning of the period	254,170	3,878,161
Cash, end of the period	\$ 107,295	\$ 1,584,907

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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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 120 Adelaide Street West, Suite 2210, Toronto, Ontario M5H 1T1. 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 Unaudited Condensed Interim Consolidated Financial Statements:

#### (a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on July 28, 2020.

#### (b) Basis of consolidation

The unaudited interim condensed 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 "Company").

Control is achieved when the Company 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 Company controls an investee if, and only if, the Company 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 Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights

The Company 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 Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date the Company 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 Company 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 Company's accounting policies. All intra-Company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company 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 Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019

(Unaudited)

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

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

If the Company 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 Company had directly disposed of the related assets or liabilities

#### (c) Basis of measurement

These unaudited condensed interim 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 unaudited condensed interim 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. For the period ended May 31, 2020, the Company incurred a comprehensive loss of \$1,450,436, had negative cash outflows from operations since incorporation and has accumulated a deficit of \$46,289,795 (November 30, 2019 - \$45,003,924) and had negative working capital of \$12,239,944 (November 30, 2019 – negative working capital of \$9,292,754).

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 6.

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 unaudited condensed interim 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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

#### (e) Functional and presentation currency

These unaudited condensed interim 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.

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

The preparation of unaudited condensed interim 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, reportable segments and discount rates.

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 condensed interim consolidated financial statements:

- Note 3k: The assumptions and valuation technique used to estimate the value of share-based payment transactions.
- Note 6: The assumptions used to fair value the debt component, the conversion feature and associated warrants on initial recognition.
- Note 7: The assumptions used to value options and warrants issued.



# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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### 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

##### 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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

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

##### 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.

##### 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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

#### (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

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.

#### (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
Right of use asset	Straight-line	Lease term

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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

#### (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.

#### (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.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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

#### (j) Impairment (continued):

##### (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.

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## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
(Unaudited)

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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) Leases

The Company has initially applied IFRS 16 Leases effective December 1, 2018 using the modified retrospective approach under which the cumulative effect of initial application is recognized in deficit on December 1, 2019. Accordingly, the comparative information presented for 2019 is not restated but presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 Leases have not generally been applied to comparative information.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained below.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after December 1, 2018.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

##### (i) As a lessee

As lessee, the Company may lease assets from time to time including property and/or equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Periods ended May 31, 2020 and May 31, 2019  
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### 3. Significant Accounting Policies (continued):

#### (i) As a lessee (continued):

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

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

#### (ii) Impact on transition

On transition to IFRS 16, the Company recognised a right-of-use asset, a lease liability, recognising the difference in retained earnings. When measuring the lease liability for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate of 18%. The impact on transition is summarised below.

Right of use asset	\$	68,712
Lease liability		67,006
Adjustment for:		
Change in lease expense		(50,167)
Change in finance expense		12,411
Change in depreciation		36,078
Change in deficit	\$	<u>(1,678)</u>

The right of use asset is being amortized over the term of the lease

#### (m) 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.

#### (n) 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.

#### (o) 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



# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period ended May 31, 2020 and May 31, 2019  
(Unaudited)

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

#### (o) Income tax (continued)

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

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

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

#### (p) 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.

#### (q) Segment reporting

The Company's strategic decision making members, 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.

#### (r) Comparative figures

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

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

From time to time, the IASB or IFRIC issue amendments to existing standards issued but that are not yet effective up to the date of issuance of the Company's consolidated statements. These standards are reviewed and assessed as to the impact such standards might have on the Company's accounting polices. The Company also assesses when to adopt those standards and when they become effective.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

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

Included in selling, general and administrative expense for the periods ended May 31, 2020 and May 31, 2019 are the following:

	2020		2019	
Salaries and related costs	\$	15,883	\$	946,531
Amortization and depreciation		35,965		23,845
	\$	51,848	\$	970,376

#### 5. 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 Condensed Interim Consolidated Financial Statements

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### 6. Notes Payable:

(a) The following summarizes the Company's promissory notes payable as at May 31, 2020 and November 30, 2019:

	2020		2019
Secured promissory notes (i)	\$ 1,751,334	\$	1,751,334
Accrued interest	1,939,431		1,737,206
	\$ 3,690,765	\$	3,488,540
<b>Current portion:</b>			
Principal	\$ 3,690,765	\$	3,488,540

(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 May 31, 2020 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 \$202,225 (May 31, 2019 – \$182,381) 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 May 31, 2020 and November 30, 2019:

	2020		2019
\$50,000 convertible promissory note (i)	\$ 50,000	\$	50,000
\$4,035,000 convertible notes (ii)	3,877,464		3,709,417
\$1,330,000 convertible notes (iii)	1,269,305		1,215,872
\$274,000 convertible notes (iv)	261,307		254,062
Escrowed funds (iv)	-		1,925,000
Loans	55,511		19,736
Accrued interest	761,078		414,112
	\$ 6,274,665		7,588,199
Less: Current portion	6,234,665		6,107,766
Non-current portion	\$ 40,000		1,480,433

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period ended May 31, 2020 and May 31, 2019  
(Unaudited)

### 6. Notes Payable (continued):

- (b) The following summarizes the Company's convertible notes payable as at May 31, 2020 and November 30, 2019 (continued):

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

	2020	2019
Discounted balance		
Add: Unaccreted portion of discount related to	\$ 6,274,665	\$ 7,588,199
Deferred financing charges and debt discount (v)	230,924	459,649
	\$ 6,505,589	\$ 8,047,848
Less: Current portion	6,465,589	6,433,349
Long term portion	\$ 40,000	\$ 1,614,499

- (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 May 31, 2020, 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 Condensed Interim Consolidated Financial Statements

Three Month Period ended May 31, 2020 and May 31, 2019  
(Unaudited)

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### 6. Notes Payable (continued):

- (b) The following summarizes the Company's convertible notes payable as at May 31, 2020 and November 30, 2019 (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 May 31, 2020, \$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. Prior to the end of the quarter, all funds held in escrow had been returned to investors.

- (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 \$344,971 (May 31, 2019 – \$445,257) and accretion expense of \$255,311 (May 31, 2019 - \$240,108) were recognized during the period in relation to all these notes. \$731,031 of interest is past due as of May 31, 2020 and remains unpaid.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period ended May 31, 2020 and May 31, 2019  
(Unaudited)

### 7. 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

- (a) On April 17, 2019, \$75,000 of the December 4<sup>th</sup> notes were converted into 500,000 common shares.
- (b) On April 26, 2019, \$50,000 of the December 4<sup>th</sup> notes were converted into 333,333 common shares.
- (c) On May 24, 2019, \$10,000 of the December 4<sup>th</sup> notes were converted into 66,666 common shares. The shares as of period end 2019 had yet to be issued.

(c) Options

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

Changes in the number of options outstanding during the periods ended May 31, 2020 and May 31, 2019 are as follows:

	2020		2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance, beginning of year	3,551,400	\$0.30	4,036,300	\$0.36
Granted	-	\$ -	200,000	\$0.22
Forfeited, cancelled or expired	(200,000)	\$0.41	(666,370)	\$0.46
Balance, end of period	3,351,400	\$0.30	3,569,930	\$0.33
Options exercisable, end of period	3,351,400	\$0.30	3,522,528	\$0.33
Weighted average fair value of options granted during the period		\$ -		\$0.22

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.15	300,000	.60 years	\$0.15	300,000
\$0.22	200,000	3.66 years	\$0.22	200,000
\$0.30	2,650,000	2.07 years	\$0.30	2,650,000
\$0.40	200,000	2.95 years	\$0.40	200,000
\$25.00	1,400	2.07 years	\$25.00	1,400
\$0.15 - \$25.00	3,351,400	2.08 years	\$0.30	3,351,400

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

Three Month Period ended May 31, 2020 and May 31, 2019  
(Unaudited)

### 7. Share Capital:

#### (c) Options (continued)

For the period ended May 31, 2020 option compensation expense of \$5,025 (May 31, 2019 - \$45,306) 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:

	May 31, 2020	May 31, 2019
Expected option life	-	5 years
Market price	-	\$0.22
Strike price	-	\$0.22
Risk free interest rate	-	1.83%
Dividend yield	-	nil
Expected volatility	-	145%

#### (d) Warrants

Changes in the number of warrants outstanding during the periods ended May 31, 2020 and May 31, 2019 are as follows

	2020			2019		
	Warrants	Amount	Weighted Average Exercise Price	Warrants	Amount	Weighted Average Exercise Price
Balance, beginning of year	51,360,740	\$ 2,592,546	\$ 0.19	50,860,483	\$ 3,546,643	\$ .028
Issued as compensation d(ii)	-	-	-	1,000,000	-	0.15
Granted, pursuant to private placement	-	-	-	11,758,824	109,273	0.15
Forfeited, cancelled or expired	(4,570,768)	(709,500)	\$ (0.48)	(2,544,185)	(320,238)	\$ (0.30)
Balance end of year	46,789,972	\$ 1,883,046	\$ 0.17	61,075,122	\$ 3,335,678	\$ 0.21
Weighted average remaining contractual life (years)			.61			1.40

(i) 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 which was recognized in the interim consolidated statement of loss and comprehensive loss.

(ii) On December 4, 2018, the Company issued units in connection with private placements. Both warrants and notes were issued together as a unit (note 6). 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.

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 7. Share Capital (continued):

#### (d) Warrants (continued):

- (iii) The Company has as at May 31, 2020, 19,328,067 (November 30, 2019 – 19,328,067) warrants contingently issuable upon the exercise of warrants issued in connection with private placements (note 6 (ii)(iii)(iv)).

During the period ending May 31, 2020, compensation expense of \$nil (May 31, 2019 - \$194,715) 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:

	2020	2019
Expected option life	-	2 years
Market price	-	\$0.22
Strike price	-	\$0.15
Risk free interest rate	-	1.82%
Dividend yield	-	Nil
Expected volatility	-	140%

#### (d) Per share amounts

The weighted average number of common shares outstanding for the three and six month periods ended May 31, 2020 and May 31, 2019 was 58,810,352 and 58,810,352 and 59,588,009 and 59,416,799 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.

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### 8. 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 period ended May 31, 2020 and May 31, 2019 is disaggregated by channel of revenue and timing of revenue recognition.

	2020	2019
<sup>19</sup>		
<b>Revenue channel</b>		
Online	\$ 26,927	\$ 56,515
Business to business	-	24,405
Distribution and partnerships	-	399,763
Other	-	-
	<b>\$ 26,927</b>	<b>\$ 700,683</b>
<b>Timing of revenue recognition</b>		
Transfer of control	26,927	700,683
Completion of service	-	-
	<b>\$ 26,927</b>	<b>\$ 700,683</b>

### 9. Segment Information:

The Company's strategic decision-making Company, 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.

	2020			2019		
	United States	All Other	Consolidated	United States	All Other	Consolidated
Revenue from external customers (i)	\$ 26,927	\$	\$ 26,927	\$ 700,683		\$ 700,683
Non-current assets	763,361	160	763,521	760,033	190,738	950,771
Comprehensive (gain) loss	(71,915)	1,522,351	1,450,436	1,492,838	2,189,575	3,682,413

(i) All revenues were generated within the United states

# RISE LIFE SCIENCE CORP.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 10. Finance Expense:

During the periods ended May 31, 2020 and May 31, 2019 the Company incurred finance expense as follows:

	2020	2019
Interest and accretion	\$ 816,583	\$ 856,876
Bank charges and other interest	658	1,570
	817,240	858,446

During the periods ended and May 31, 2020 and May 31, 2019, the Company paid finance expense as follows:

	2020	2019
Interest	\$ -	\$ 75,575
Bank charges and other interest paid	658	1,570
	658	77,145

### 11. 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) 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 Interim Condensed Consolidated Financial Statements

Three Month Periods ended May 31, 2020 and 2019  
(Unaudited)

### 12. 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 Company 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			Total
	< 1 year	2 - 3 years	4 - 5 years	
Accounts payable and accrued liabilities	\$ 2,555,397	\$ -	\$ -	\$ 2,555,397
Secured promissory notes	3,690,765	-	-	3,690,765
Convertible notes	6,465,589	-	-	6,465,589
Obligations under lease	61,672	6,167	-	67,839
Loan	-	40,000	-	40,000
	12,773,423	46,167	-	12,819,590

#### 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 Interim Condensed Consolidated Financial Statements

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### 13. 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 7(c)). Compensation paid to key management personnel for the periods ended May 31, 2020 and May 31, 2019 is as follows:

	2020	2019
Salaries, fees and short-term employee benefits	\$ 270,000	\$ 632,798
Stock-based compensation	-	214,901
	<b>\$ 270,000</b>	<b>\$ 847,699</b>

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

Included in accounts payable and accrued liabilities as at May 31, 2020 is \$559,347 (November 30, 2019 \$369,573) due to key management.