PIVOT PHARMACEUTICALS INC.

Consolidated Financial Statements

Years ended January 31, 2019 and 2018

(Expressed in Canadian dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Pivot Pharmaceuticals Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Pivot Pharmaceuticals Inc. (the Company) as of January 31, 2019, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the year ended January 31, 2019, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of January 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year ended January 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has not earned any revenue, has a working capital deficit of $4,844,352 and has an accumulated deficit of $34,963,335 as of January 31, 2019 that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2019.

Vancouver, British Columbia

May 2, 2019

Suite 2200, MNP Tower, 1021 West Hastings Street, Vancouver, British Columbia, V6E 0C3, Phone: (604) 685-8408, 1 (877)688-8408

SADLERGIBB
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Pivot Pharmaceuticals Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Pivot Pharmaceuticals Inc. ("the Company") as of January 31, 2018, the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the year ended January 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2018, and the results of its operations and its cash flows for the year ended January 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Sadler, Gibb & Associates, LLC

We have served as the Company's auditor since 2014.

Salt Lake City, UT
May 1, 2018, except for Note 17, as to which the date is May 2, 2019

PIVOT PHARMACEUTICALS INC.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

	January 31, 2019 $	January 31, 2018 $ (Note 17)
Assets		
Current assets		
Cash	74,800	79,304
Tax receivable	44,489	5,122
Prepaids and other current assets	122,585	99,051
Total current assets	241,874	183,477
Equipment, net (Note 5)	4,162	–
Intangible assets, net (Note 6)	8,349,822	288,349
Total assets	8,595,858	471,826
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable and accrued liabilities	667,493	267,892
Due to related parties (Note 13)	330,483	12,421
Convertible debentures, net (Note 7)	3,497,599	–
Promissory note (Note 8)	–	247,305
Acquisition obligation (Note 4(b))	432,923	–
Deferred revenue	157,728	–
Total liabilities	5,086,226	527,618
Stockholders' Equity (Deficit)		
Common stock Unlimited shares authorized, without par value, 96,899,678 and 82,373,559 shares issued and outstanding, respectively (Note 9)	21,340,273	10,047,733
Common stock issuable (Note 9(c))	10,000	–
Additional paid-in capital	16,999,265	15,713,439
Accumulated other comprehensive income	123,429	–
Accumulated deficit	(34,963,335)	(25,816,964)
Total stockholders' equity (deficit)	3,509,632	(55,792)
Total liabilities and stockholders' equity (deficit)	8,595,858	471,826

Nature of operations and going concern (Note 1)
Commitment and contingencies (Note 16)

(The accompanying notes are an integral part of these consolidated financial statements)

PIVOT PHARMACEUTICALS INC.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended January 31, 2019 $	Year Ended January 31, 2018 $ (Note 17)
Expenses		
Depreciation and amortization	900,651	30,825
Due diligence costs	251,674	11,304
Finders fee expense	100,000	–
Foreign exchange loss	24,206	131,909
General and administrative	2,372,563	421,246
Licensing fees	79,008	–
Professional fees	845,983	252,446
Rent	294,937	24,352
Research and development	430,456	90,826
Sales and marketing	9,526	–
Wages and salaries	1,526,232	391,989
Write-off of inventory	8,856	–
Total expenses	6,844,092	1,354,897
Loss from operations	(6,844,092)	(1,354,897)
Other (expenses) income		
Amortization of discount on convertible debentures	(510,758)	(140,341)
Gain on change in fair value of derivative liabilities	–	265,962
Gain on disposal of asset (Note 3)	–	913,746
Gain on repayment of promissory note	8,890	–
Gain on settlement of debts	–	308,555
Interest expense	(391,250)	(35,379)
Interest income	4,196	–
Loss on extinguishment of convertible debentures (Note 7(c))	(1,378,210)	–
Other	(35,147)	–
Total other (expenses) income	(2,302,279)	1,312,543
Net loss	(9,146,371)	(42,354)
Other comprehensive income (loss)		
Foreign currency translation adjustment	123,429	(17,425)
Comprehensive loss	(9,022,942)	(59,779)
Net loss per share, basic and diluted	(0.10)	(0.00)
Weighted average number of shares outstanding – basic and diluted	90,201,387	79,898,541

(The accompanying notes are an integral part of these consolidated financial statements)

PIVOT PHARMACEUTICALS INC.

Consolidated Statements of Stockholders' Equity (Deficit)
(Expressed in Canadian dollars)

	Common Stock		Common Stock Issuable	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares #	Amount $	$	$	$	$	$
Balance – February 1, 2017 (Note 17)	75,647,100	8,870,000	–	14,959,068	17,425	(25,774,610)	(1,928,117)
Common stock issued for services	350,000	127,175	–	–	–	–	127,175
Common stock issued for settlement of accounts payable and accrued liabilities to related parties	92,384	45,322	–	–	–	–	45,322
Capital contribution by officers in forgiveness of liabilities	–	–	–	690,282	–	–	690,282
Common stock issued for conversion of debentures	4,623,825	735,623	–	–	–	–	735,623
Common stock issued for acquisition of license	2,500,000	319,174	–	–	–	–	319,174
Common stock and warrants issued for cash	2,735,000	410,192	–	–	–	–	410,192
Common stock issued for finder's fee	225,250	1,111	–	–	–	–	1,111
Cancellation of common stock pursuant to disposal of asset	(3,800,000)	(460,864)	–	–	–	–	(460,864)
Stock-based compensation	–	–	–	64,089	–	–	64,089
Net comprehensive loss	–	–	–	–	(17,425)	(42,354)	(59,779)
Balance – January 31, 2018 (Note 17)	82,373,559	10,047,733	–	15,713,439	–	(25,816,964)	(55,792)
Common stock issued for services	1,197,869	663,435	10,000	–	–	–	673,435
Common stock issued for settlement of convertible debenture (Note 7(c) and Note 10)	3,750,000	1,612,500	–	988,356	–	–	2,600,856
Common stock issued for asset acquisition (Note 4(b))	5,000,000	6,650,000	–	–	–	–	6,650,000
Common stock issued for acquisition of asset (Note 4(a))	500,000	830,000	–	–	–	–	830,000
Common stock and warrants issued for cash	4,078,250	1,536,605	–	–	–	–	1,536,605
Warrants issued for finder's fee	–	–	–	182,570	–	–	182,570
Beneficial conversion feature	–	–	–	83,333	–	–	83,333
Stock-based compensation	–	–	–	31,567	–	–	31,567
Net comprehensive loss	–	–	–	–	123,429	(9,146,371)	(9,022,942)
Balance – January 31, 2019	96,899,678	21,340,273	10,000	16,999,265	123,429	(34,963,335)	3,509,632

(The accompanying notes are an integral part of these consolidated financial statements)

PIVOT PHARMACEUTICALS INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended January 31, 2019 $	Year Ended January 31, 2018 $ (Note 17)
Operating activities		
Net loss	(9,146,371)	(42,354)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	900,651	30,825
Amortization of discount on convertible debentures	510,757	140,341
Common stock issued for services	673,435	127,176
Stock-based compensation	31,567	64,089
(Gain) loss on change in fair value of derivative liabilities	-	(265,962)
Gain on disposal of assets	-	(913,746)
Loss (gain) on settlement of debts	1,324,581	(308,555)
Changes in operating assets and liabilities:		
Prepaids and other current assets	(61,392)	(93,982)
Due to related parties	318,400	12,423
Accounts payable and accrued liabilities	470,782	688,224
Net cash used in operating activities	(4,977,590)	(561,521)
Investing activities		
Cash acquired through acquisition	2,779	-
Purchase of intangible assets	(853,289)	-
Net cash used in investing activities	(850,510)	-
Financing activities		
Repayment on promissory note	(770,526)	-
Proceeds from promissory note	502,464	-
Proceeds from issuance of common stock and warrants	-	410,192
Proceeds from debentures	4,559,205	47,154
Proceeds from private placement	1,535,970	–
Net cash provided by financing activities	5,827,113	457,346
Effects of exchange rate changes on cash	(3,517)	36,454
Net change in cash	(4,504)	(67,721)
Cash – beginning of the year	79,304	147,025
Cash – end of the year	74,800	79,304

(The accompanying notes are an integral part of these consolidated financial statements)

1. Nature of Operations and Going Concern

Pivot Pharmaceuticals Inc. (the "Company") was incorporated in British Columbia under the Business Corporations Act on June 10, 2002. On April 7, 2015, the Company changed its name from Neurokine Pharmaceuticals Inc. to Pivot Pharmaceuticals Inc. The Company is in the business of developing and commercializing therapeutic pharmaceuticals and nutraceuticals, as well as drug delivery platform technologies.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2019, the Company has not earned any revenue, has a working capital deficit of $4,844,352 (2018 - $344,141) and an accumulated deficit of $34,963,335 (2018 - $25,816,964). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. These factors raise substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. The Company will continue to seek financing, in the form of equity or debt, to mitigate the substantial doubt over going concern and continue to meet its obligations.

2. Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements and the related notes of the Company are prepared in accordance with generally accepted accounting principles in the United States and are expressed in Canadian dollars. The Company's fiscal year-end is January 31.

Please also refer to Note 17.

(b) Use of Estimates

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The Company regularly evaluates estimates and assumptions related to the useful life and recoverability of long-lived assets and assumptions used to determine the fair values of stock-based compensation, warrants and warrants issued with shares units. Estimates and assumptions have also been made on the recoverable amount of intangible assets, fair value of debentures for the purpose of evaluating modification versus extinguishments, fair value of convertible debentures and deferred income tax asset. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

2. Significant Accounting Policies (continued)

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The consolidating entities include:

	% of ownership	Jurisdiction
Pivot Pharmaceuticals Inc.	Parent	Canada
Pivot Green Stream Health Solutions Inc.	100%	Canada
Pivot Naturals, LLC	100%	U.S.A.
Thrudermic, LLC	100%	U.S.A.

(d) Investments in Joint Arrangements

These consolidated financial statements incorporate the Company's share of the results of its joint venture, Pivot-Cartagena Joint Venture Inc. using the equity method of accounting (Note 15). Investments in JV are recognized initially at cost and adjusted thereafter to include the Company's share of income or loss and comprehensive income on an after-tax basis. Dividends or distributions received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investments.

Investments are reviewed for impairment at each reporting period by comparing recoverable amount to carrying amount when there is an indication of impairment.

(e) Foreign Currency Translation

The Company's reporting currency is the Canadian dollar. The functional currency of the parent entity, Pivot Pharmaceuticals Inc., and the wholly-owned subsidiaries, Pivot Green Stream Health Solutions Inc. and Thrudermic, LLC, is the Canadian dollar. The functional currency of the wholly-owned subsidiary, Pivot Naturals, LLC, is the US dollar.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange in place at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into the functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the consolidated statements of operations and comprehensive loss.

Assets and liabilities of the companies are translated from their respective functional currencies to the reporting currency at the exchange rates at the balance sheet dates, equity accounts are translated at historical exchange rates and revenues and expenses are translated at the average exchange rates in effect during the reporting period. The resulting foreign currency translation adjustment are recorded in other comprehensive loss.

2. Significant Accounting Policies (continued)

(f) Financial Instruments and Fair Value Measures

ASC 820, Fair Value Measurements, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1
Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2
Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3
Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts payable and accrued liabilities, due to related parties, convertible debentures, promissory note and acquisition obligation. Pursuant to ASC 820, the fair value of our cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

(g) Cash

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(h) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded using the straight-line method to depreciate the cost of equipment over its estimated useful life of six years.

2. Significant Accounting Policies (continued)

In accordance with ASC 360, "Property, Plant and Equipment", the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. . Recoverability is assessed based on the carrying amount of the asset and its fair value, which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset. In certain instances, specific appraisal may be used to determine recoverability amount. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

(i) Intangible Assets

Intangible assets consists of costs incurred to acquire license, patents and unpatented technology. Intangible assets are considered finite live assets and recorded at cost less accumulated amortization and accumulated impairment. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the asset. Amortization is recorded using the straight-line method and is intended to amortize the intangible assets over their estimated useful lives:

License	5 years
Patents	10 years
Unpatented technology	10 years

(j) Impairment of Intangible Assets

When facts and circumstances indicate that the carrying value of definite-lived intangible assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of sales and the resulting profit and cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount of the asset or asset group exceeds the fair value. We use a variety of valuation methodologies to determine the fair value of these assets, including discounted cash flow models.

(k) Contingencies

An estimated loss from a loss contingency is recognized if the available information indicates that it is probable that an asset has been impaired or a liability has been incurred at the reporting date and the amount of the loss can be reasonably estimated.

2. Significant Accounting Policies (continued)

(l) Share Capital

Financial instruments issued by the Company are classified as equity to the extent that they do not meet the definition of a financial liability. The Company's shares of common stock are classified as equity instruments.

Incremental costs directly attributed to the issuance of new common stock or units are shown in share capital as a reduction, net of tax, of the proceeds received on issuance.

(m) Stock-based Compensation

The Company records stock-based compensation in accordance with ASC 718, Compensation – Stock-Based Compensation to determine the fair value of share options and account for stock-based compensation expenses using an estimated forfeiture rate at the time of grant and revising the rate, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expenses are recorded net of estimated forfeitures such that expenses are recorded only for those share-based awards that are expected to vest. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

(n) Comprehensive Income or Loss

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the consolidated financial statements. For the years ended January 31, 2019 and 2018, the Company's comprehensive income included foreign currency translation adjustments.

(o) Loss Per Share

The Company computes net loss per share in accordance with ASC 260, Earnings Per Share. ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the consolidated statement of operations and comprehensive loss. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

As at January 31, 2019, the Company has excluded 3,249,700 (2018 – 6,153,764) potential dilutive shares. For the years ended January 31, 2019 and January 31, 2018, diluted loss per share is equivalent to basic loss per share because the potential exercise of the equity-based financial instruments was anti-dilutive.

2. Significant Accounting Policies (continued)

(p) Research and Development Costs

Research costs are expensed in the period that they are incurred. Development costs are capitalized, to the extent they increase the future economic benefit embodied in the specific asset, to intangible assets.

(q) Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, "Income Taxes". The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. As of January 31, 2019 and 2018, the Company did not have any amounts recorded pertaining to deferred tax assets or uncertain tax positions.

The Company files federal and provincial income tax returns in Canada. The Company recognizes interest and penalties related to uncertain tax positions in tax expense. During the years ended January 31, 2019 and 2018, there were no charges for interest or penalties.

(r) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of key management personnel. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(s) Recent Adopted Accounting Pronouncements

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting. This update provided clarity and reduced both diversity in practice and cost and complexity when applying the guidance in Topic 718, Compensation – Stock Compensation, to a change to the terms or conditions of a share-based payment award. The Company adopted the methodologies prescribed by this ASU effective February 1, 2018 and there was no material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new guidance reduced diversity in practice in how certain transactions are classified in the statement of cash flows. The Company adopted the methodologies prescribed by this ASU effective February 1, 2018 and there was no material impact on the Company's consolidated financial statements.

2. Significant Accounting Policies (continued)

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments to the guidance enhance the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation, and disclosure. The Company adopted the methodologies prescribed by this ASU effective February 1, 2018 and there was no material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments clarified the definition of a business. The amendments affect all companies that must determine whether they have acquired or sold a business. The Company adopted the methodologies prescribed by this ASU effective February 1, 2018 and there was no material impact on the Company's consolidated financial statements.

(t) Recently Issued Accounting Pronouncements Not Yet Adopted

In July 2017, the FASB issued ASU 2017-11"Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception" ("ASU 2017-11"). ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered, and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to Common Stock holders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of the policy to have a significant impact on the consolidated financial statements, if any.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. For all entities, amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU No. 2018-13 and delay adoption of the additional disclosures until their effective date. The Company is currently evaluating the potential impact this guidance will have on the consolidated financial statements, if any.

2. Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. These amendments expand the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The ASU supersedes Subtopic 505-50, Equity—Equity-Based Payments to Non-Employees. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than a company's adoption date of Topic 606, Revenue from Contracts with Customers. The Company does not expect the adoption of the policy to have significant impact on the consolidated financial statements, if any.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (Topic 842) "Leases." Topic 842 supersedes the lease requirements in Accounting Standards Codification (ASC) Topic 840, "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases will continue to be classified as either finance or operating. The Company plans to adopt Topic 842 effective February 1, 2019 using a modified retrospective method and will not restate comparative periods. As permitted under the transition guidance, the Company will carry forward the assessment of whether contracts contain or are leases, classification of our leases and remaining lease terms. Based on the Company's lease agreements as of January 31, 2019, approximately $1.1 million of lease assets and liabilities will be recognized on the balance sheets upon adoption.

In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases. For entities that early adopted Topic 842, the amendments are effective upon issuance of ASU 2018-10, and the transition requirements are the same as those in Topic 842. For entities that have not adopted Topic 842, the effective date and transition requirements will be the same as the effective for use for fiscal years beginning after December 15, 2018. The Company does not expect the adoption of the policy to have significant impact on the consolidated financial statements, if any.

3. Disposal of Asset

On September 11, 2017, the Company completed an exchange agreement whereby the Company exchanged with its former Chief Executive Officer 100% of its shares of common stock of its wholly-owned subsidiary, IndUS Pharmaceuticals, Inc. ("IndUS"), for 3,800,000 shares of common stock of the Company (Note 9(g)). Pursuant to the exchange agreement, the Company has provided its former Chief Executive Officer a promissory note (Note 8(a)) in the amount of $247,305 (US$200,000) in discharge of all obligations with respect to former Chief Executive Officer's accrued salary totaling $324,141 through September 11, 2017 for which a gain of $124,020 has been included in gain on settlement of debts in the consolidated statements of operations and comprehensive loss during the year ended January 31, 2018.

The disposal of IndUS resulted in a gain as follows:

(Expressed in Canadian dollars)

3. Disposal of Asset (continued)

3,800,000 shares of common stock acquired and cancelled	$460,864
Net liabilities exchanged	278,109
Foreign exchange gain	174,773
Gain on disposal of asset	$913,746

The disposal of IndUS did not meet the definition of discontinued operations as it did not represent a strategic shift that has a major effect on the Company's operations and financial results.

4. Asset Acquisitions

(a) Thrudermic Transdermal Nanotechnology

On March 2, 2018, the Company entered into an exchange agreement with Thrudermic, LLC ("Thrudermic") and the members of Thrudermic whereby the Company paid US$1.00 for the issued and outstanding units of Thrudermic and issued 500,000 shares of common stock (Note 9(b)) to the members of Thrudermic for their intellectual property portfolio, including unpatented technology, goodwill and know-how in connection with the Thrudermic Transdermal Nanotechnology.

The Company evaluated this acquisition in accordance with ASC 805, Business Combinations to discern whether the assets and operations of Thrudermic met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company accounted for this transaction as an asset acquisition at cost of $830,000 (Note 6).

(b) Ready-to-Infuse Cannabis Patents ("RTIC Patents")

On February 28, 2018, the Company completed the acquisition of Pivot Naturals, LLC (previously ERS Holdings, LLC) ("Pivot Naturals") pursuant to an exchange agreement dated as of February 10, 2018. As consideration for the purchase, the Company paid $430,420 (US$333,333) in cash on closing, issued 5,000,000 shares of common stock (Note 9(a)) and will pay an additional $430,420 (US$333,333) six (6) and twelve (12) months after closing. Financial consideration include royalties on future annual net sales. On September 28, 2018, a payment of $429,370 (US$326,666), representing a portion of the payment due six (6) months after closing, was made. The remainder of the payment due six (6) months after closing of $8,763 (US$6,667) was withheld due to infringement of the Company's patent by the recipient, and will be paid together with the final payment. The acquisition obligation outstanding as at January 31, 2019 is $432,923 (US$340,000). Subsequent to January 31, 2019, the Company extended the payment date for the payment due twelve (12) months after closing from February 28, 2019 to May 31, 2019.

The Company evaluated this acquisition in accordance with ASC 805, Business Combinations (10-55-4) to discern whether the assets and operations of Pivot Naturals met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company accounted for this transaction as an asset acquisition.

The consideration transferred, assets acquired and liabilities assumed recognized is as follows:

(Expressed in Canadian dollars)

4. Asset Acquisitions (continued)

Consideration paid:	$
Cash paid	430,420
Cash to be paid	778,662
Common stock issued	6,650,000
Transaction costs	154,951
Total purchase price	8,014,033

Net assets acquired:	$
Cash	2,779
Equipment	5,213
Ready-to-infuse cannabis (“RTIC”) patents	8,008,411
Accounts payable and accrued liabilities	(2,370)
Net value of business purchased	8,014,033

The RTIC patents acquired are amortized over an estimated useful life of ten (10) years (Note 2(i)).

5. Equipment

Cost	Lab Equipment $
Balance, February 1, 2017 and January 31, 2018	–
Exchange agreement (Note 4(b))	5,213
Effect of foreign exchange rate changes	94
Balance, January 31, 2019	5,307
Accumulated Depreciation	
Balance, February 1, 2017 and January 31, 2018	–
Depreciation	1,135
Effect of foreign exchange rate changes	10
Balance, January 31, 2019	1,145
Net book value, January 31, 2019	4,162
Net book value, January 31, 2018	–

(Expressed in Canadian dollars)

6. Intangible Assets

Cost	BiPhasix License $	Thrudermic Non-Patented Technology $	RTIC Patents $	Total $
	(Note 6(a))	(Note 4(a))	(Note 4(b))	
Balance, February 1, 2017	–	–	–	–
Licensing agreement (Note 6(a))	319,174	–	–	319,174
Balance, January 31, 2018	319,174	–	–	319,174
Exchange agreements (Note 4)	–	830,000	8,008,411	8,838,411
Effect of foreign exchange rate changes	–	–	128,866	128,866
Balance, January 31, 2019	319,174	830,000	8,137,277	9,286,451

Accumulated Amortization				
Balance, February 1, 2017	–	–	–	–
Amortization	30,825	–	–	30,825
Balance, January 31, 2018	30,825	–	–	30,825
Amortization	79,793	74,325	745,398	899,516
Effect of foreign exchange rate changes	–	–	6,288	6,288
Balance, January 31, 2019	110,618	74,325	751,686	936,629
Net book value, January 31, 2019	208,556	755,675	7,385,591	8,349,822
Net book value, January 31, 2018	288,349	–	–	288,349

Weighted average life remaining on intangible assets is 8.9 years. Future amortization for the next five years is:

Expiry Date	$
2020	866,266
2021	866,266
2022	866,266
2023	851,984
2024	814,127

(a) BiPhasix License

On September 12, 2017, the Company entered into a licensing agreement with Altum Pharmaceuticals Inc. ("Altum"), a party related by way of common officer, whereby the Company acquired worldwide rights to the BiPhasix™ transdermal drug delivery technology for the development and commercialization of Cannabinoids, Cannabidiol and Tetrahydrocannabinol products. Consideration included:

(Expressed in Canadian dollars)

6. Intangible Assets (continued)

1) Issuance of 2,500,000 shares of common stock on September 12, 2017 valued at $319,174, which was recorded as an intangible asset with a corresponding credit to common stock (Note 9(h));

2) Issuance of 2,500,000 shares of common stock of Pivot upon Health Canada Natural Product Number approval (not yet issued as of the date of this report);

3) Royalties on annual gross sales; and

4) For pharmaceutical products, milestone payments payable upon first Investigative New Drug Approval, upon positive outcome of Phase II trial in first indication, and upon New Drug Application approval. As of January 31, 2019 and the date of this report, no milestones have been achieved.

(b) Solumer Oral Drug Delivery Technology

On August 7, 2018, the Company entered into a licensing agreement with Formulex Pharma Innovations (formerly Solubest Ltd.) ("Formulex") whereby the Company will acquire worldwide rights for the use, development and commercialization of Formulex's Solumer Oral Drug Technology solely for the improved bio-availability, delivery and commercialization of Cannabinoid and Tetrahydrocannabinol-based products for human and animal use. Financial considerations include: 1) Monthly license fee until commercialization date (US$20,000); 2) Monthly development fee (US$10,000); 3) Milestone payments upon commercialization (US$150,000) and upon net sales of US$5,000,000 (US$250,000). Other consideration includes royalties on aggregate net sales.

7. Convertible Debentures

	January 31, 2019 $	January 31, 2018 $
March 2, 2018 Convertible Debentures (Note 7(b))	3,497,599	–
	3,497,599	–

(a) On September 30, 2016, the Company issued a convertible debentures with a non-related party for $500,000. The debentures is secured under a General Security Agreement bears interest at 8% per annum and matures on the earlier of:

- The date the lender demands repayment of principal and interest following an event of default,
- The date of a dissolution event,
- The date of a liquidity event, and
- March 30, 2017.

On September 18, 2017, the lender converted the outstanding principal and accrued interest of the convertible debentures into 4,623,825 shares of common stock (Note 9(i)) of the Company at a conversion price of US$0.10. A loss on conversion of debentures of $25,988 was recorded within gain on settlement of debts in the consolidated statements of operations and comprehensive loss during the year ended January 31, 2018.

(Expressed in Canadian dollars)

7. Convertible Debentures (continued)

(b) On March 2, 2018, the Company issued convertible debentures with two non-related parties totaling $5,000,000. The debentures are secured under a General Security Agreement, bear interest at 10% per annum payable quarterly and mature on March 2, 2019. The notes are convertible into common shares at a conversion price equal to $1.74 per common share. The Company issued 172,413 share purchase warrants (Note 10) with an exercise price of $1.74 and three year expiry as finder's fee for the convertible debentures. The effective interest rate has been determined as 24% per annum after deducting all the loan discounts.

(c) On October 22, 2018, $1,500,000 of the convertible debentures were settled through the issuance of 3,750,000 units of the Company with each unit consisting of one common stock and one share purchase warrant with an exercise price of $0.60 and three year expiry (Note 9(e)). The shares issued were valued at $0.43 per share and warrants issued were valued at $0.26 per warrant for total value of $2,600,856. The fair value of warrants were calculated using volatility of 110%, interest-free rate of 2.30%, nil expected dividend yield and expected life of 3 years. The Company considered the settlement to be an extinguishment of the $1,500,000 of the convertible debentures and recorded a loss on extinguishment of $1,221,603.

On October 22, 2018, the Company modified the conversion price on the remainder of the convertible debentures, totaling $3,500,000, to $0.42 per common share. The Company considered the modification to be an extinguishment of the $3,500,000 of the convertible debentures and recorded a loss on extinguishment of $156,607. The effective interest rate for the remaining terms of the convertible debentures has been determined as 21% per annum after deducting all the loan discounts.

During the year ended January 31, 2019, the total contractual interest cost related to this convertible loan was $470,948 and total interest costs related to the amortization of the loan discount was $510,758.

As of January 31, 2019, the carrying value of the convertible debentures is $3,497,599 (2018 - $nil) and interest accrued on the convertible debentures is $30,194 (2018 - $nil).

Please also refer to Note 18(b).

8. Promissory Note

	January 31, 2019 $	January 31, 2018 $
Principal (Note 8(a))	–	247,305

(a) Promissory Note – Former Chief Executive Officer (Note 3)

The promissory note bears interest at 8% per annum. Principal and accrued interest are due on the earlier of: 1) 30 days after the completion of a financing of at least US$2,000,000 and (ii) September 10, 2027, provided that if repayment occurs prior to the second anniversary date, all interest will be waived. On February 28, 2018, the Company issued senior secured convertible debentures for gross proceeds of $5,000,000 (Note 7(b)). Accordingly, accrued interest being waived, principal was due and repaid on March 30, 2018.

8. Promissory Note (continued)

(b) Promissory Note – Third Party

On September 27, 2017, the Company issued a promissory note in the amount of US$400,000, bearing interest at 12% per annum and maturing on December 31, 2018, which no proceeds had been drawn. As part of the promissory note, 100,000 shares of common stock were issued (Note 9(j)).

(c) Promissory Note – Altum Pharmaceuticals Inc. ("Altum")

On February 16, 2018, the Company issued a promissory note of up to $520,000, bearing interest at 10% per annum to Altum and maturing on May 15, 2018. On February 19 and March 1, 2018, $250,000 and $252,464 were advanced to the Company. On March 2, 2018, the Company repaid the principal amount and accrued interest on the promissory note totaling $503,285.

9. Common Stock

During the year ended January 31, 2019:

(a) On February 28, 2018, 5,000,000 shares of common stock, with fair value of $6,650,000, were issued pursuant to the exchange agreement with Pivot Naturals (Note 4(b)).

(b) On March 2, 2018, 500,000 shares of common stock, with fair value of $830,000, were issued pursuant to the exchange agreement with Thrudermic and the members of Thrudermic (Note 4(a)).

(c) During the year ended January 31, 2019, the Company issued 920,178 shares of common stock, with fair value totaling $508,938, to third parties for services rendered. 35,714 shares of common stock, with fair value of $10,000, remain to be issued as at January 31, 2019 and were issued on March 23, 2019 (Note 18(c)).

(d) During the year ended January 31, 2019, the Company issued 277,691 shares of common stock, with fair value totaling $154,497, as compensation pursuant to employment agreements entered into as part of the acquisitions of the Thrudermic (Note 4(a)) and Pivot Naturals (Note 4(b)).

(e) On October 22, 2018, 3,750,000 units of the Company, with each unit consisting of one common stock and one share purchase warrant with an exercise price of $0.60 and three year expiry, were issued pursuant to settlement of $1,500,000 of convertible debentures (Note 7(b)).

(f) In October and November, 2018, 4,078,250 units of the Company, with each unit consisting of one common stock and one share purchase warrant with an exercise price of $0.60 and three year expiry, were issued for subscription proceeds of $1,631,300. Pursuant to the private placement, the Company paid finders' fee of $88,104 in cash and issued 220,260 share purchase warrants with an exercise price of $0.60 and three year expiry. Other share issue costs totaled $6,591.

During the year ended January 31, 2018:

(g) On September 11, 2017, 3,800,000 shares of common stock were acquired and cancelled pursuant to the share exchange agreement (Note 3).

(Expressed in Canadian dollars)

9. Common Stock (continued)

(h) On September 12, 2017, 2,500,000 shares of common stock were issued pursuant to the Altum licensing agreement (Note 6(a)).

(i) On September 18, 2017, 4,623,825 shares of common stock were issued upon conversion of a convertible debentures (Note 7(a)).

(j) On October 26, 2017, 100,000 shares of common stock with a fair value of $62,872 were issued pursuant to a promissory note issued (Note 8(b)). During the year ended January 31, 2018, the Company issued 250,000 shares of common stock, with fair value totaling $64,303, to third parties for services rendered.

(k) In October 2017, the Company received proceeds totaling $280,734 pursuant to private placements for the issuance of 2,230,000 shares of common stock at a price of US$0.10 per share. The Company issued 200,000 shares of common stock related to share issue costs on this private placement.

(l) On October 31, 2017, the Company settled $45,322 of accounts payable through the issuance of 92,384 shares of common stock (Note 13(j)).

(m) Effective December 15, 2017, the Company closed a private placement for an aggregate of 505,000 units, consisting of one common share and one half of one share purchase warrant, at price of US$0.20 per unit for gross proceeds of $129,460. Finder's fee consisted of a cash payment of $6,229 and issuance of 25,250 units, consisting of one common share and one half of one share purchase warrant.

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, February 1, 2017	434,622	0.13
Granted (Note 9(m))	265,125	0.45
Expired	(434,622)	0.13
Balance, January 31, 2018	265,125	0.45
Granted (Notes 7(b), 9(e) and 9(f))	8,220,923	0.62
Balance, January 31, 2019	8,486,048	0.62

(Expressed in Canadian dollars)

10. Share Purchase Warrants (continued)

As at January 31, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date	Weighted Average Remaining Contractual Life (years)
190,000	0.45	May 20, 2019	0.30
75,125	0.45	June 14 ,2019	0.37
172,413	1.74	March 1, 2021	2.08
3,353,250	0.60	September 21, 2021	2.64
8,000	0.60	October 1, 2021	2.67
907,260	0.60	October 18, 2021	2.72
3,780,000	0.60	October 22, 2021	2.73
8,486,048			2.60

11. Stock Options

Effective December 30, 2015, the Company adopted a stock option plan. Under this plan, the Company may grant options to its directors, officers, employees and consultants up to an amount as determined by the Company and will be no more than a percentage of its outstanding common stock as may be required by the stock exchange the Company is listed with. The exercise price of the stock options will be determined by the Company and will be no less than any minimum exercise price as may be required by the stock exchange the Company is listed with.

The following table summarizes the continuity of the Company's stock options:

	Number of Options #	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life (Years)
Outstanding, February 1, 2017	15,520,833	0.53	4.20
Granted	100,000	0.50	4.79
Forfeited	(2,000,000)	(0.97)	–
Outstanding, January 31, 2018	13,620,833	0.46	3.26
Granted	300,000	1.25	4.32
Forfeited	(229,000)	(0.43)	–
Outstanding, January 31, 2019	13,691,833	0.48	2.31

The aggregate intrinsic value of vested options outstanding at January 31, 2019 is $675,611. The fair value of options granted was estimated using the Black-Scholes option pricing model, with expected forfeitures of nil%, and the following assumptions:

(Expressed in Canadian dollars)

11. Stock Options (continued)

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)	Fair value per option at the grant date $
100,000 options expiring on November 14, 2022	110%	1.83%-2.27%	0%	3.79-4.50	0.14-0.29
200,000 options expiring on March 11, 2023	110%	1.83%-2.42%	0%	4.11-4.92	0.09-0.52
100,000 options expiring September 19, 2023	110%	2.33%	0%	4.63	0.16

Additional information regarding stock options as of January 31, 2019, is as follows:

Options Outstanding	Options Exercisable	Exercise Price $	Expiry Date
4,000,000	4,000,000	0.14	December 14, 2020
5,250,000	5,250,000	0.97	February 22, 2021
4,000,000	4,000,000	0.13	December 14, 2021
41,833	41,833	0.07	January 23, 2022
100,000	75,000	0.50	November 14, 2022
200,000	183,334	1.67	March 11, 2023
100,000	-	0.42	October 28, 2023
13,691,833	13,550,167		

Total of 141,666 un-exercisable options remain as at January 31, 2019. $31,567 (2018 – $64,089) of stock-based compensation expense has been recognized during the year ended January 31, 2019. $14,198 (2018 - $112,147) of stock-based compensation cost has yet to be recognized and will be recognized in future periods.

12. Supplemental Cash Flow Disclosures

	January 31, 2019 $	January 31, 2018 $
Supplemental disclosures:		
Interest paid	475,074	–
Income tax paid	–	–
Non-cash investing and financing activities:		
Capital contribution through forgiveness of debt	673,435	690,282
Warrants issued for finders' fee	182,570	42,101
Common stock issued for settlement of accounts payable	–	45,322
Common stock issued for settlement of convertible debentures	2,600,856	735,623
Common stock issued for asset acquisition	7,480,000	–
Common stock issued for intangible asset	–	319,174
Promissory note issued for settlement of accrued salaries	–	247,300
Stock-based compensation	31,567	64,089
Common stock received and constructively retired in disposition of assets	–	460,864
Beneficial conversion feature related to convertible debentures	83,333	–

13. Related Party Transactions

(a) As at January 31, 2019, the Company owed $63,335 (2018 - $nil) to a director and officer of the Company. These amounts are unsecured, non-interest bearing, and due on demand. During the year ended January 31, 2019, the Company paid salary of $191,667 (2018 - $nil) to the director and officer of the Company.

(b) As at January 31, 2019, the Company owed $38,248 (2018 - $nil) to an officer of the Company. These amounts are unsecured, non-interest bearing, and due on demand. During the year ended January 31, 2019, the Company paid salary of $100,000 (2018 - $nil) to the officer of the Company.

(c) As at January 31, 2019, the Company owed $93,282 (2018 - $nil) to the former President of the Company's subsidiary, Pivot Naturals. These amounts are unsecured, non-interest bearing, and due on demand. During the year ended January 31, 2019, the Company paid salary of $304,125 (2018 - $nil), and management fees of $104,302 (2018 - $nil) settled by shares to the former President of Pivot Naturals.

(d) As at January 31, 2019, the Company owed $50,209 (2018 - $5,860) to a former director of the Company. These amounts are unsecured, non-interest bearing, and due on demand. During the year ended January 31, 2019, the Company paid salary of $200,000 (2018 - $nil) to the former director of the Company.

(e) On September 12, 2017, the Company entered into a licensing agreement with Altum, a party related by way of common officer, whereby the Company acquired worldwide rights to the BiPhasix™ transdermal drug delivery technology for the development and commercialization of Cannabinoids, Cannabidiol and Tetrahydrocannabinol products (Note 6(a)). As at January 31, 2019, the Company owed Altum $48,896 (2018 - $6,561) for expenses paid on behalf of the Company. Subsequent to January 31, 2019, Altum paid an additional $61,120 of expenses on behalf of the Company.

(f) During the year ended January 31, 2019, the Company paid $821 in interest expense on a promissory note issued to Altum (Note 8(c)).

(g) During the year ended January 31, 2019, the Company's subsidiary, Pivot Naturals, paid $65,170 and management fees of $19,557 (2018 - $nil) settled by shares to a company owned by its former President for research and development.

(h) As at January 31, 2019, the Company owed $23,811 (2018 - $nil) to a director of the Company. These amounts are unsecured, non-interest bearing, and due on demand. During the year ended January 31, 2019, the Company paid consulting fees of $45,000 (2018 - $nil) to the director of the Company.

(i) As at January 31, 2019, the Company owed $12,702 (2018 - $nil) to a director and Vice President of the Company. These amounts are unsecured, non-interest bearing, and due on demand. During the year ended January 31, 2019, the Company paid salary of $117,306 (2018 - $nil), and management fees of $17,601 (2018 - $nil) settled by shares to the director and Vice President of the Company.

(j) During the year ended January 31, 2018, a capital contribution amounting to $690,282 was made by two officers who forgave accrued management fees. In addition, $45,322 of accounts payable due to a company controlled by the Company's Chief Financial Officer were settled for 92,384 shares of common stock.

(Expressed in Canadian dollars)

14. Income Taxes

The income tax benefit differs from the amount computed by applying the Canadian federal and provincial statutory rates to net loss before income taxes for the years ended January 31, 2019 and 2018, respectively, as a result of the following:

	2019 $	2018 $
Net loss before taxes	(9,146,371)	(42,354)
Statutory rate	27.00%	26.00%
Expected tax recovery	(2,469,520)	(11,012)
Foreign tax rate differences	(7,273)	1,887
Permanent differences and other	379,423	(223,692)
Expenses deductible for tax purposes	(86,829)	(10,507)
Change in valuation allowance	2,184,199	243,324
Income tax provision	-	–

The statutory tax rate increased from 26% to 27% due to an increase in BC corporate tax rate on January 1, 2018.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes.

Unrecognized deductible temporary differences at January 31, 2019 and 2018 are comprised of the following:

	2019 $	2018 $
Tax loss carryforwards - CDN	15,739,556	9,930,461
Tax loss carryforwards - USA	2,165,876	-
Convertible debentures - CDN	27,794	-
Stock-based compensation - USA	126,033	-
Intangible assets - CDN	148,614	-
Intangible assets - USA	291,479	-
Financing costs - CDN	454,664	37,922
Total unrecognized deductible temporary differences	18,954,015	9,968,383

(Expressed in Canadian dollars)

14. Income Taxes (continued)

The Company has non-capital loss carryforwards, for which no deferred tax asset has been recognized of approximately $15,739,556 (2018: $9,930,461) which may be carried forwards to apply against future income for Canadian income tax purpose, subject to the final determination by tax authorities, expiring in the following years:

Expiry Date	Non-Capital Loss $
2030	434,518
2031	77,975
2032	139,450
2033	657,883
2034	687,128
2035	1,457,190
2036	4,637,504
2037	1,359,695
2038	880,218
2039	5,407,995
	15,739,556

As at January 31, 2019, the Company's US net operating loss carryforwards total $2,165,876 (2018 - $Nil). These losses can be carried forward indefinitely.

15. Joint Venture

On December 17, 2018, the Company entered into a joint venture arrangement whereby the Company holds 50% of the issued and outstanding shares of Pivot-Cartagena JV. Pivot-Cartagena JV will develop and commercialize cannabis-infused non-alcoholic beverages using the industry expertise of its joint venture partner with the Company's Solumer (Note 6(b)) and RTIC (Note 4(b)) powderization technologies. The Company and its joint venture partner each have 50% to the net assets and net income or loss of Pivot-Cartagena JV. As of January 31, 2019, the Company has not made any investment related to Pivot-Cartagena JV. During the year ended January 31, 2019, there were no balances or transactions related to Pivot-Cartagena JV.

16. Commitments and Contingencies

(a) The Company has leased premises with a third party. The minimum committed lease payments are approximately as follows:

2020	$ 332,536
2021	$ 273,108
2022	$ 281,301
2023	$ 154,810
	$ 1,041,755

16. Commitments and Contingencies (continued)

(b) In April 2019, the employment of two of the Company's employees in Pivot Naturals, including the President of Pivot Naturals, which was pursuant to written employment contracts, terminated. A demand for arbitration has been filed by these former employees along with an arbitration complaint that alleges claims for breach of the written employment contracts, fraud, illegal retaliation and tortious discharge in violation of public policy seeking, among other things, recovery of accrued and unpaid salary and wages in the total amount of $213,179 and contractual severance amounts totaling US$475,000 alleged to be due and owing on their alleged involuntary termination, as well as other general and punitive damages. The Company intends to vigorously defend these claims and file cross-claims against the former employees for breach of contract and related tort claims.

17. Change in Reporting Currency

Effective February 1, 2018, the Company changed its reporting currency from US Dollars to Canadian Dollars as it expects to conduct increasing transactions and financing based on the Canadian Dollars. This will reduce the impact of increased volatility of the US Dollars to Canadian Dollars exchange rate on the Company's reported operating results. The aligning of the reporting currency with the underlying operations will better depict the Company's results of operations for each period. The related financial statements prior to February 1, 2018 have been represented to Canadian Dollars as if the financial statements originally had been presented in Canadian Dollars since the earliest periods presented. The change in reporting currency resulted in cumulative foreign currency translation adjustment to the Company's comprehensive income amounted to a gain of $123,429 and a loss of $17,425 for the years ended January 31, 2019 and January 31, 2018, respectively.

18. Subsequent Events

(a) On March 5, 2019, the Company entered into a loan agreement for $300,000, bearing interest at 10% per annum and maturing on September 4, 2019. Pursuant to this loan agreement, the Company issued 100,000 shares of common stock as a loan origination fee and paid a finder's fee of $24,000 in cash.

(b) On March 18, 2019, the Company repaid $750,000 of its convertible debentures (Note 7(b)) and extended the maturity date of the remaining $2,750,000 to June 1, 2019 for an extension fee of $250,000.

(c) On March 23, 2019, the Company issued 35,714 shares of common stock for services provided by a third party during the year ended January 31, 2019 (Note 9(c)).

(d) On March 23, 2019, the Company issued 690,323 shares of common stock to directors and officers to settle $64,787 of unpaid compensation as at January 31, 2019 and $39,574 of compensation subsequent to year end. The Company also issued 1,000,000 shares of common stock to a third party to settle $100,000 of accounts payable as at January 31, 2019 and $50,000 of accounts payable subsequent to January 31, 2019.

(e) On April 8, 2019, 6,950,000 units of the Company, with each unit consisting of one common stock and one share purchase warrant with an exercise price of $0.30 and three year expiry, were issued for subscription proceeds of $1,390,000. Pursuant to the private placement, the Company paid a finder's fee of $80,000 in cash and issued 508,000 shares of common stock and 108,000 share purchase warrants with an exercise price of $0.30 and three year expiry.

18. Subsequent Events (continued)

(f) On April 8, 2019, the Company issued 60,515 shares of common stock and paid $3,328 in cash representing a fee to extend the payment date for its acquisition obligation from February 28, 2019 to May 31, 2019 (Note 4(b)).

(g) On April 8, 2019, the Company entered into a binding letter of intent with High Park Ventures Inc. ("High Park") for a non-brokered private placement of $15 million. The private placement will be of units at a price of $0.25 per unit, with each unit consisting of one common share and one common share purchase warrant with two year expiry and an exercise price of $0.35. The private placement is expected to close in two tranches of $5 million and $10 million. Upon completion of the non-brokered private placement, the Company will issue 60,000,000 units to High Park.