CANNTAB THERAPEUTICS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2018 AND 2017

(Stated in $CAD)

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's external auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31, 2018 AND MAY 31, 2018
(Stated in $CAD)
(Unaudited - Prepared by Management)

	August 31 2018	May 31 2018
ASSETS		
Current:		
Cash and cash equivalents (Note 6)	$ 3,495,747	$ 4,217,850
Accounts receivable (Note 7)	229,011	170,021
Prepaid expenses	60,128	75,648
	3,784,886	4,463,519
Long term:		
Plant and equipment (Note 8)	242,170	159,843
Intangible assets	150,698	125,696
	$ 4,177,754	$ 4,749,058
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 9)	$ 131,671	$ 273,559
Current portion of deferred revenue	39,999	39,999
	171,670	313,558
Long term:		
Deferred revenue	123,334	133,334
	295,004	446,892
SHAREHOLDERS' EQUITY		
Common shares (Note 10)	6,516,681	6,516,681
Contributed surplus	1,337,590	1,310,150
Accumulated deficit	(3,971,521)	(3,524,665)
	3,882,750	4,302,166
	$ 4,177,754	$ 4,749,058

Commitment (Note 11(c))

Subsequent events (Note 13)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

Approved on behalf of the Board:

"Richard Goldstein" Director *"Vitor Fonseca"* Director

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED AUGUST 31, 2018 AND 2017

(Stated in $CAD)

(Unaudited - Prepared by Management)

	Three months ended August 31 2018	Three months ended August 31 2017
Revenue		
Interest income	**$ 21,795**	$ 682
License fees	**10,000**	-
	31,795	682
Expenses		
Employee compensation and benefits	**117,568**	22,467
Consulting fees	**111,389**	123,390
General and administrative	**68,856**	6,059
Professional fees	**41,456**	5,450
Research and development	**36,146**	24,918
Occupancy costs	**30,000**	30,000
Marketing and promotion	**27,698**	-
Share based compensation	**27,440**	-
Depreciation of plant and equipment (Note 8)	**14,820**	-
Amortization of intangible assets	**3,278**	-
	478,651	212,284
Net loss and comprehensive loss	**$ (446,856)**	$ (211,602)
Basic loss per share (Note 10(b))	**$ (0.02)**	$ (0.01)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
PERIOD FROM JUNE 1, 2017 TO AUGUST 31, 2018
(Stated in $CAD)
(Unaudited - Prepared by Management)

	Common shares Number	Common shares Amount	Contributed surplus	Accumulated deficit	Total
As at May 31, 2018	**4,713,000**	**$ 1,400,107**	**$ 754,700**	**$ (1,116,252)**	**$ 1,038,555**
Net loss and comprehensive loss	-	-	-	(211,602)	(211,602)
As at August 31, 2017	**4,713,000**	**1,400,107**	**754,700**	**(1,327,854)**	**826,953**
Proceeds on private placement	1,251,914	4,772,144	235,512	-	5,007,656
Share issue costs	-	(480,615)	-	-	(480,615)
Shares deemed issued in connection with RTO	625,045	625,045	-	-	625,045
Elimination of Canntab shares	(5,964,914)	(6,172,251)	-	-	(6,172,251)
Shares issued to Canntab shareholders in connection with RTO	23,859,656	6,172,251	-	-	6,172,251
Proceeds from exercise of options and special warrants	800,000	200,000	-	-	200,000
Net loss and comprehensive loss	-	-	-	(2,196,811)	(2,196,811)
Share based payments	-	-	319,938	-	319,938
As at May 31, 2019	**25,284,701**	**6,516,681**	**1,310,150**	**(3,524,665)**	**4,302,166**
Net loss and comprehensive loss	-	-	-	(446,856)	(446,856)
Share based payments	-	-	27,440	-	27,440
As at August 31, 2018	**25,284,701**	**$ 6,516,681**	**$ 1,337,590**	**$ (3,971,521)**	**$ 3,882,750**

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED AUGUST 31, 2018 AND 2017
(Stated in $CAD)
(Unaudited - Prepared by Management)

	Three months ended August 31 2018	Three months ended August 31 2017
Operating activities		
Net loss and comprehensive loss	**$ (446,856)**	$ (211,602)
Add (deduct) items not affecting cash		
Share based compensation	**27,440**	-
Depreciation of plant and equipment	**14,820**	-
Amortization of intangible assets	**3,278**	-
	(401,318)	(211,602)
Change in non-cash working capital items		
Accounts receivable	**(58,990)**	(21,202)
Prepaid expenses	**15,522**	-
Accounts payable and accrued liabilities	**(141,889)**	(98,720)
Deferred revenue	**(10,000)**	-
	(596,675)	(331,524)
Investing activities		
Purchase of intangible assets	**(28,281)**	-
Purchase of plant and equipment	**(97,147)**	(16,420)
	(125,428)	(16,420)
Change in cash and cash equivalents	**(722,103)**	(347,944)
Cash and cash equivalents, beginning of period	**4,217,850**	958,620
Cash and cash equivalents, end of period	**$ 3,495,747**	$ 610,676

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

1. NATURE OF OPERATIONS

Canntab Therapeutics Limited ("Canntab" or the "Company") was incorporated on April 20, 2016 under the Canada Business Corporations Act, with its head office located at 223 Riviera Drive, Markham, Ontario. The Company is as a Canadian cannabis oral dosage formulation company engaged in the research and development of advanced pharmaceutical grade formulations of cannabinoids. It has developed in-house technology to deliver standardized medical cannabis extract from selective strains in a variety of extended/sustained release pharmaceutical dosages for therapeutic use.

In April 2018, the Company completed a reverse takeover transaction with Telferscot Resources Inc. *(see note 5)*, after which the Company's common shares resumed trading on the Canadian Securities Exchange under the symbol "PILL".

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the IASB, and accordingly do not include all the information required for full annual financial statements by International Financial Reporting Standards ("IFRS"). They have been prepared using the same accounting policies that were described in note 2 to the Company's annual consolidated financial statements for the years ended May 31, 2018 and 2017 which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They were authorized for issuance by the Board of Directors on October 29, 2018.

The unaudited interim condensed consolidated financial statements are prepared on the historical cost basis. Unless otherwise stated, the unaudited interim condensed consolidated financial statements are presented in Canadian dollars. That is the Company's functional and presentation currency as (i) the Company is based in Canada, (ii) the majority of its operating costs are denominated in Canadian dollars, and (iii) all its financing is obtained through Canadian dollar private placements.

(b) Basis of consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Canntab Therapeutics Subsidiary Limited. A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies applied by the Company in these unaudited interim condensed consolidated financial statements. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

3. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

(a) **IFRS 9 "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities"** was issued by the IASB in July 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The amendments were effective for annual periods beginning on or after January 1, 2018. The standard uses a single approach based on how an entity manages its financial instruments to determine whether a financial asset is measured at amortized cost or fair value and requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The new requirements were adopted effective June 1, 2018. The adoption of these amendments did not have a significant impact on the unaudited interim condensed consolidated financial statements.

(b) **IFRS 15 "Revenue from Contracts with Customers"** was issued by the IASB in May 2014, which replaces IAS 11 – Construction Contracts, IAS 18 – Revenue and IFRIC 13 – Customer Loyalty Programs ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments.

IFRS 15 is based on the principle that revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows:

(i) Identify the contract(s) with the customer;
(ii) Identify the separate performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to separate performance obligations; and
(v) Recognize revenue when (or as) each performance obligation is satisfied.

The Company adopted the requirements of IFRS 15 on June 1, 2018, using the modified retrospective method as permitted by IFRS 15. The adoption did not result in any adjustments or in any change in the recognition of revenues compared to prior periods and therefore, no comparative figures have been restated.

4. NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

As at the date of authorization of these unaudited interim condensed consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective:

4. NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, CONTINUED

(a) **IFRS 16 "Leases"** was issued by the IASB in January 2016 and will ultimately replace IAS 17, "Leases" and related interpretations. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its unaudited interim condensed consolidated financial statements and plans to adopt the requirements in 2019.

(b) **IFRIC 23 "Uncertainty Over Income Tax Treatments"** was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its unaudited interim condensed consolidated financial statements.

(c) **IFRS 9 "Financial Instruments"** has been amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss. Financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most modifications of financial liabilities will result in immediate recognition of a gain or loss. The amendment is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

5. REVERSE TAKEOVER TRANSACTION ("RTO")

On November 27, 2017, the Company announced the signing of a binding Letter of Intent ("LOI") with Telferscot Resources Limited ("Telferscot" or the "Issuer") under which Telferscot would acquire the issued and outstanding shares of the Company, effectively resulting in a reverse takeover of Telferscot by Canntab. The mechanics of the transaction were as follows:

5. REVERSE TAKEOVER TRANSACTION ("RTO"), CONTINUED

(a) On January 12, 2018, the Issuer, Canntab and 2611780 Ontario Inc. ("Numco") entered into an amalgamation agreement (the "Amalgamation Agreement"), pursuant to which the parties completed a business combination by way of a three-cornered amalgamation (the "Amalgamation") under the Business Corporations Act (Ontario). Under the terms of the Amalgamation Agreement, Canntab amalgamated with Numco and carries on the existing business of Canntab as a wholly owned operating subsidiary of the Issuer, which filed Articles of Amendment to change its name to Canntab Therapeutics Limited (the "Resulting Issuer").

(b) Prior to the Amalgamation, the Issuer consolidated its common shares on the basis of one post-consolidated common share for each 200 pre-consolidation common shares (the "Consolidation").

(c) Pursuant to the terms of the Amalgamation Agreement, each shareholder of Canntab received four (4) common shares (a "Common Share") of the Issuer for every one (1) common share of Canntab held by such shareholder (the "Exchange Ratio"). In addition, each holder of a stock option or warrant of Canntab received an equal number of replacement stock options, special warrants and broker compensation warrants of the Issuer, as applicable.

(d) In connection with the Amalgamation, Canntab completed a private placement of 1,251,914 subscription receipts ("Subscription Receipt") at a price of $4.00 per Subscription Receipt for gross proceeds of $5,007,656 on December 19, 2017 and December 29, 2017 (the "Offering"). Immediately prior to the closing of the Amalgamation, each Subscription Receipt converted, with no additional consideration or action by the holder, to one common share of Canntab (each a "Canntab Share"), which were subsequently exchanged for four common shares of the Resulting Issuer pursuant to the terms of the Amalgamation Agreement.

(e) Immediately prior to the Amalgamation, Canntab had outstanding 4,713,000 common shares, 470,000 stock options, 300,000 special warrants and 80,250 broker compensation warrants.

(f) As a result of the transaction, there were an aggregate of 24,484,701 common shares issued and outstanding on April 16, 2018 as follows:

   (i) former shareholders of Canntab exchanging their former 4,713,000 Canntab shares (on a 1 for 4 basis) for 18,852,000 common shares of the Resulting Issuer, representing approximately 77.00% of the total common shares of the Resulting Issuer;

   (ii) former subscription receipt holders exchanging their former 1,251,914 subscription receipts (on a 1 for 4 basis) for 5,007,656 common shares of the Resulting Issuer, representing approximately 20.45% of the outstanding common shares of the Resulting Issuer; and

   (iii) original shareholders of the Issuer exchanging their former 125,009,000 Telferscot shares (on a 200 for 1 basis) for 625,045 common shares of the Resulting Issuer, representing approximately 2.55% of the Resulting Issuer.

6. CASH AND CASH EQUIVALENTS

	August 31 2018	May 31 2018
Cash (bank overdraft)	$ 77,029	$ (18,629)
Short-term investment certificate	2,850,000	3,500,000
Cash in Company lawyer's trust account	568,718	736,479
	$ 3,495,747	$ 4,217,850

The short-term investment certificate bears interest at 1.50% per annum, comes due on April 16, 2019 and is cashable at any time in whole or in part with no penalty. The cash in the Company lawyer's trust account is unrestricted and represents the remaining funds remaining from the April, 2018 financing yet to be remitted to the Company.

7. ACCOUNTS RECEIVABLE

	August 31 2018	May 31 2018
HST ITC's recoverable	$ 209,626	$ 169,877
Accrued interest receivable	19,385	144
	$ 229,011	$ 170,021

8. EQUIPMENT

	Production equipment	Furniture and fixtures	Computer hardware	Leasehold improvements	Total
Cost					
As at May 31, 2017	$ 99,573	$ -	$ -	$ -	$ 99,573
Additions	92,592	5,939	7,257	395	106,183
As at May 31, 2018	192,165	5,939	7,257	395	205,756
Additions	41,822	-	1,835	53,490	97,147
As at August 31, 2018	$ 233,987	$ 5,939	$ 9,092	$ 53,885	$ 302,903
Accumulated depreciation					
As at May 31, 2017	$ 615	$ -	$ -	$ -	$ 615
Depreciation	43,577	593	1,088	40	45,298
As at May 31, 2018	44,192	593	1,088	40	45,913
Depreciation	12,666	267	532	1,355	14,820
As at August 31, 2018	$ 56,858	$ 860	$ 1,620	$ 1,395	$ 60,733
Net book value					
As at May 31, 2018	$ 147,973	$ 5,346	$ 6,169	$ 355	$ 159,843
As at August 31, 2018	$ 177,129	$ 5,079	$ 7,472	$ 52,490	$ 242,170

9. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

		August 31 2018		May 31 2018
Trade accounts payable	**$**	**52,310**	$	215,259
Accrued liabilities		**79,361**		58,300
	$	**131,671**	$	273,559

10. **SHARE CAPITAL AND STOCK OPTIONS**

(a) **Loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding. After giving retroactive effect to the 1 for 4 share exchange ratio *(see note 5(f))*, the weighted average number of common shares outstanding for the three month period ended August 31, 2018 was 25,284,701 (August 31, 2017 - 18,852,000).

(b) **Stock option grant**

On July 16, 2018, the Company issued 100,000 stock options to an outside consultant. Each option entitles the holder thereof to acquire one common share for a period of 3 years at an exercise price of $1.00 per common share. Of the 100,000 options, 50,000 vested immediately, and the remaining 50,000 will vest in one year, provided that the consultant is still providing services to the Company at that time.

The fair value of these options has been calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 2.0%, (2) expected volatility of 116%, (3) expected life of 3.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.36. Share based compensation recognized for the three month period ended August 31, 2018 was $27,440 (August 31, 2017 - $Nil).

11. **RELATED PARTY TRANSACTIONS AND BALANCES**

During the three month periods ended August 31, 2018 and 2017, the Company had the following related party transactions:

(a) Under the terms of a consulting contract effective January, 2017, consulting fees of $30,000 were recorded during the three month period ended August 31, 2018 (August 31, 2017 - $30,000) by an entity controlled by an individual who is both an officer and director of the company for his services as CFO. The contract has the following general provisions: (i) management services are billed at a rate of $10,000 per month, (ii) term is indefinite, (iii) can be terminated by the Company at any time with cause (iii) can be terminated by the Company at any time without cause by payment of 36 months of fees to the consultant, (iv) can be terminated by the consultant upon giving 45 days notice to the Company, and (v) upon any change of control, the consultant can elect to terminate the agreement and receive payment of 36 months of fees. As at August 31, 2018, accounts payable and accrued liabilities included $Nil (May 31, 20187 - $4,907) owing to this entity.

11. **RELATED PARTY TRANSACTIONS AND BALANCES, CONTINUED**

(b) Under the terms of a consulting contract effective January, 2017, consulting fees of $20,000 were recorded during the three month period ended August 31, 2018 (August 31, 2017 - $30,000) by an entity controlled by an individual who is both an officer and director of the company for his services as CEO. Effective August 1, 2018, the consulting contract was terminated as this individual went on regular salary at the same monthly rate of $10,000.

(c) The Company is related to CMAX Technologies Inc. by virtue of common control. During the three month period ended August 31, 2018, the Company paid rent of $30,000 (August 31, 2017 - $30,000) to CMAX. The Company entered into a lease renewal agreement dated December 1, 2017 with CMAX under which it is obligated to 12 consecutive monthly rent payments of $10,000.

12. **FINANCIAL INSTRUMENTS AND RISK FACTORS**

Fair value of financial instruments

The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term or demand nature of these balances. The Company's financial instruments are exposed to certain financial risks, as summarized below.

(a) **Classification of financial instruments**

The classification and measurement of the financial assets and liabilities, as well as their carrying amounts and fair values are as follows:

			August 31, 2018		**May 31, 2018**	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
			$	**$**	$	$
Cash	FVTPL	Fair value	**3,495,747**	**3,495,747**	4,217,850	4,217,850
Accounts receivable	Loans and receivables	Amortized cost	**229,011**	**229,011**	170,021	170,021
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**131,671**	**131,671**	273,559	273,559

(b) **Liquidity risk**

Liquidity risk is the risk that the Company cannot meet its financial liabilities as they become due. As at August 31, 2018, the Company had working capital of $3,613,216 (May 31, 2018 - $4,149,961)and as such, is not exposed to any liquidity risk. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

13. SUBSEQUENT EVENTS

(a) On September 18, 2018, the Company announced that it has entered into a definitive collaboration and profit sharing agreement (the "Agreement") with FSD Pharma Inc. (CSE: HUGE) ("FSD Pharma"), which, through its wholly-owned subsidiary FV Pharma Inc., is a licensed producer pursuant to the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). Under the terms of the Agreement, FSD Pharma will assist Canntab to obtain a license to process and sell cannabis products pursuant to the Cannabis Act (the "License"). FSD Pharma will provide Canntab with up to 10,000 square feet of space at the FSD Facility (the "Canntab Premises"). Canntab will build and install, at its expense, its own manufacturing facility within the larger FSD Facility.

In consideration of FSD Pharma's services, Canntab will grant FSD Pharma certain royalty and profit sharing rights in connection with the sale of the Canntab products. Canntab will provide FSD Pharma with 50% of the profits that Canntab receives on any retail sales of Canntab Products through channels that are established by FSD Pharma and FSD Pharma will be entitled to retain 50% of the profits on FSD Pharma's sales of the Canntab products. In addition, Canntab shall pay a royalty to FSD equal to 3.5% of Canntab's sale price of all products manufactured and sold by Canntab from the Canntab Premises.

(b) On September 11, 2018, the Company entered into agreements with arm's length companies as follows:

(i) A financial advisory firm to provide services including, but not limited to, capital markets advisory, financial and operational analysis, and recommendations on strategic growth objectives for a monthly fee of $20,000 and 200,000 special warrants. Each special warrant entitles the holder to purchase 1 common share of the Company at $1.02 per share at any time up to 36 months from the grant date. The agreement is for a minimum term of three months, continuing on a month-to-month basis thereafter, and can be terminated by the Company any time after the initial term upon 15 days' notice.

(ii) An investor relations firm for a monthly fee of $14,000 plus 250,000 special warrants. Each special warrant entitles the holder to purchase 1 common share of the Company at $1.02 per share at any time up to 5 years from the grant date. The agreement is for a minimum term of three months, continuing on a month-to-month basis thereafter, and can be terminated by the Company any time after the initial term upon 15 days' notice.

(c) In September, 2018, the Company received $200,000 upon reaching the second milestone under its agreement with Emblem Corp.

(d) On September 18, 2018, the Company announced that the Board of Directors has authorized the grant of 100,000 incentive stock options to certain employees and consultants. Each such option entitles the holder to acquire one common share for a period of 3 years at an exercise price of $1.22 per common share.

13. **SUBSEQUENT EVENTS, CONTINUED**

(e) On October 1, 2018, the Company announced the completion of a non-binding Letter of Intent (the "LOI") with NewCanna S.A.S of Bogota, Colombia ("NewCanna") for the establishment of a significant bi-lateral relationship for the sale and distribution of Canntab's products. The territory applicable to the agreement is the countries of Colombia, Chile, Paraguay and Spain (collectively, the "Territory"). The agreement will grant NewCanna the right to sell and distribute certain Canntab exclusive proprietary products, and the right to utilize Canntab's know-how and patents in the Territory only.

The LOI provides a 60-day period for the parties to complete a formal agreement, which will trigger a one-time, non-refundable license fee of USD $2 million payable to Canntab by NewCanna in consideration for the exclusive license to be granted by Canntab to NewCanna.

The formal agreement will establish:

(i) Exclusive 5-year distribution agreement for Canntab's oral sustained release tablet formulations in the Territory;

(ii) The supply of up to USD $10 million of NewCanna cannabis oil to Canntab for which Canntab will place a deposit of USD $1 million;

(iii) Agreement between the parties to work together to obtain the necessary regulatory and licensing approvals to implement the business requirements, including importation and exportation of materials;

(iv) Performance standards by NewCanna in each country covered by the agreement; and

(v) 50%/50% profit sharing on the sales of products under the agreement;

Conditional upon the execution of a formal agreement encompassing the provisions of the LOI, payment of the USD $2 million license fee and subject to any regulatory and exchange approvals, the Company will issue warrants to NewCanna to purchase up to 500,000 common shares of the Company at a price of $1.80 per common share for a period of two years.