CANNTAB THERAPEUTICS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED NOVEMBER 30, 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 NOVEMBER 30, 2018 AND MAY 31, 2018
(Stated in $CAD)
(Unaudited - Prepared by Management)

	November 30 2018	May 31 2018
ASSETS		
Current:		
Cash and cash equivalents (Note 6)	**$ 3,060,587**	$ 4,217,850
Accounts receivable (Note 7)	**256,149**	170,021
Prepaid expenses	**31,499**	75,648
	3,348,235	4,463,519
Long term:		
Plant and equipment (Note 8)	**274,093**	159,843
Intangible assets	**154,735**	125,696
	$ 3,777,063	$ 4,749,058
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 9)	**$ 118,277**	$ 273,559
Current portion of deferred revenue (Note 10)	**89,998**	39,999
	208,275	313,558
Long term:		
Deferred revenue (Note 10)	**250,835**	133,334
	459,110	446,892
SHAREHOLDERS' EQUITY		
Common shares (Note 11)	**6,538,581**	6,516,681
Contributed surplus	**1,538,290**	1,310,150
Accumulated deficit	**(4,758,918)**	(3,524,665)
	3,317,953	4,302,166
	$ 3,777,063	$ 4,749,058

Commitment (Note 12(c))

Subsequent event (Note 15)

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 AND SIX MONTHS ENDED NOVEMBER 30, 2018 AND 2017
(Stated in $CAD)
(Unaudited - Prepared by Management)

	Three months ended November 30 2018	**Six months ended November 30 2018**	Three months ended November 30 2017	Six months ended November 30 2017
Revenue				
License fees	**$ 22,500**	**$ 32,500**	$ 5,555	$ 5,555
Interest income	**9,938**	**31,733**	2,068	2,751
	32,438	**64,233**	7,623	8,306
Expenses				
Employee compensation and benefits	**151,466**	**269,034**	32,863	55,330
Consulting fees	**115,827**	**227,215**	80,800	204,190
Marketing and promotion	**102,715**	**130,413**	1,000	1,000
General and administrative	**67,571**	**123,180**	6,864	12,923
Professional fees	**62,884**	**104,335**	70,130	75,580
Shareholder communications and regulatory expenses	**56,161**	**69,412**	149	149
Occupancy costs	**30,000**	**60,000**	30,000	60,000
Research and development	**14,478**	**50,625**	17,301	42,218
Share-based compensation	**200,700**	**228,140**	-	-
Depreciation and amortization	**18,033**	**36,132**	15,844	15,844
	819,835	**1,298,486**	254,951	467,234
Net loss and comprehensive loss	**$ (787,397)**	**$ (1,234,253)**	$ (247,328)	$ (458,928)
Basic loss per share (Note 11(d))	**$ (0.03)**	**$ (0.05)**	$ (0.01)	$ (0.02)

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 NOVEMBER 30, 2018
(Stated in $CAD)
(Unaudited - Prepared by Management)

	Common shares		Contributed	Accumulated	Total
	Number	Amount	surplus	deficit	
As at May 31, 2017	**4,713,000**	**$ 1,400,107**	**$ 754,700**	**$ (1,116,252)**	**$ 1,038,555**
Net loss and comprehensive loss	-	-	-	(458,928)	(458,928)
As at November 30, 2017	**4,713,000**	**1,400,107**	**754,700**	**(1,575,180)**	**579,627**
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	-	-	-	(1,949,485)	(1,949,485)
Share-based compensation	-	-	319,938	-	319,938
As at May 31, 2018	**25,284,701**	**6,516,681**	**1,310,150**	**(3,524,665)**	**4,302,166**
Proceeds from exercise of broker warrants	21,900	21,900	-	-	21,900
Net loss and comprehensive loss	-	-	-	(1,234,253)	(1,234,253)
Share-based compensation	-	-	228,140	-	228,140
As at November 30, 2018	**25,306,601**	**$ 6,538,581**	**$ 1,538,290**	**$ (4,758,918)**	**$ 3,317,953**

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
SIX MONTHS ENDED NOVEMBER 30, 2018 AND 2017
(Stated in $CAD)
(Unaudited - Prepared by Management)

	November 30 2018	November 30 2017
Operating activities		
Net loss and comprehensive loss	**$ (1,234,253)**	$ (458,928)
Add (deduct) items not affecting cash		
Share-based compensation	**228,140**	-
Depreciation and amortization	**36,132**	15,844
License fees	**(32,500)**	(5,555)
	(1,002,481)	(448,639)
Change in non-cash working capital items		
Accounts receivable	**(86,128)**	(18,367)
Prepaid expenses	**44,149**	-
Accounts payable and accrued liabilities	**(155,282)**	(52,833)
Deferred revenue	**200,000**	200,000
	(999,742)	(319,839)
Investing activities		
Purchase of intangible assets	**(35,982)**	-
Purchase of plant and equipment	**(143,439)**	(38,958)
	(179,421)	(38,958)
Financing activities		
Proceeds on exercise of broker warrants	**21,900**	-
Change in cash and cash equivalents	**(1,157,263)**	(358,797)
Cash and cash equivalents, beginning of period	**4,217,850**	958,620
Cash and cash equivalents, end of period	**$ 3,060,587**	$ 599,823

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. The Company, with its head office located at 223 Riviera Drive, Markham, Ontario, 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.

The Company's common shares trade on the Canadian Securities Exchange under the symbol "PILL" following completion of a reverse takeover transaction with Telferscot Resources Inc. in April, 2018.

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 January 29, 2019.

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 subsidiaries, Canntab Therapeutics Subsidiary Limited and 420 Therapeutics Inc. 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 to, or 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:

(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. **NEW AGREEMENTS IN THE PERIOD**

(a) **FSD Pharma Inc.**

On September 18, 2018, the Company announced that it had 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) **Mackie Research Capital Corporation**

In September, 2018, the Company entered into an arm's length agreement with 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 *(see note 11(c)(i))*. 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) **Hybrid Financial Limited**

In September, 2018, the Company entered into an arm's length agreement with an investor relations firm for a monthly fee of $14,000 plus 250,000 special warrants *(see note 11(c)(ii))*. 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.

(d) **NewCanna S.A.S.**

On October 1, 2018, the Company announced the completion of a non-binding Letter of Intent (the "NewCanna 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.

5. **NEW AGREEMENTS IN THE PERIOD, CONTINUED**

The NewCanna LOI provided a 60-day period for the parties to complete a formal agreement. During the process of working on the formal agreement, NewCanna received a takeover offer, the impact of which on the NewCanna LOI has yet to be determined. Negotiations are ongoing, but any final agreement is likely to be on substantially different terms than the original NewCanna LOI.

(e) **Labsco Promedic SA de CV**

On October 31, 2018, the Company announced the signing of a non-binding Letter of Intent (the "Labsco LOI") with Labsco Promedic SA de CV of Monterrey, Mexico ("Labsco") for the establishment of a joint venture relationship for the sale and distribution of Canntab products in Mexico on an exclusive basis. Following the LOI, the parties will work together to establish and complete a formal joint venture relationship for an initial period of five years.

Under the provisions of the Labsco LOI, the following terms of the proposed joint venture have been agreed to:

- Labsco shall be responsible for funding and obtaining any and all regulatory, licensing or other such approvals for the importation and distribution of Canntab products in Mexico;
- Labsco shall provide physical premises for the work of the joint venture;
- Labsco shall be responsible for product distribution in Mexico;
- Canntab shall license current patents and know-how, subject to completion of a license agreement;
- Canntab shall produce products in bulk from its Canadian facilities; and
- Canntab shall provide products to the joint venture at an agreed price and margin.

6. **CASH AND CASH EQUIVALENTS**

	November 30 2018	May 31 2018
Cash (bank overdraft)	**$ 44,769**	$ (18,629)
Short-term investment certificate	**2,450,000**	3,500,000
Cash in Company lawyer's trust account	**565,818**	736,479
	$ 3,060,587	$ 4,217,850

The short-term investment certificate bears interest at 1.80% per annum, comes due on January 20, 2020 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**

	November 30 2018	May 31 2018
Accounts Receivable	**$ 1**	$ -
HST ITC's recoverable	**229,813**	169,877
Accrued interest receivable	**26,335**	144
	$ 256,149	$ 170,021

8. **PLANT AND 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	68,708	5,643	1,835	67,253	143,439
As at November 30, 2018	**$ 260,873**	**$ 11,582**	**$ 9,092**	**$ 67,648**	**$ 349,195**
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	27,349	817	1,063	(40)	29,189
As at November 30, 2018	**$ 71,541**	**$ 1,410**	**$ 2,151**	**$ -**	**$ 75,102**
Net book value					
As at May 31, 2018	**$ 147,973**	**$ 5,346**	**$ 6,169**	**$ 355**	**$ 159,843**
As at November 30, 2018	**$ 189,332**	**$ 10,172**	**$ 6,941**	**$ 67,648**	**$ 274,093**

No depreciation has been provided for with respect to the leasehold improvements as the construction process is not yet finished and the assets are not available for general use.

9. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	November 30 2018	May 31 2018
Trade accounts payable	**$ 1,595**	$ 215,259
Accrued liabilities	**116,682**	58,300
	$ 118,277	$ 273,559

10. **DEFERRED REVENUE**

(a) On October 3, 2017, the Company entered into an exclusive collaboration and license agreement ("the License Agreement") with Emblem Corp. ("Emblem"). Under the License Agreement, Emblem and the Company will collaborate on the pre-clinical formulation, clinical development, regulatory approval, manufacturing and commercialization of the Company's patent-pending oral sustained release formulation for cannabinoids.

(b) The following is a brief summary of the salient terms of the License Agreement:

(i) The License Agreement is for an initial term of 5 years and shall be automatically renewed thereafter for renewal terms of one year each.
(ii) The License Agreement applies to proprietary the Company products being oral sustained release tablet formulations of cannabinoids (the "Product").
(iii) The Company shall have the sole right to manufacture the Product.
(iv) The raw materials (cannabis and cannabis oil) required to manufacture the Product shall be provided to the Company free of charge by the Licensed Producer.
(v) The Licensed Producer shall purchase the products manufactured by the Company at the Company's cost plus 15%.
(vi) The Licensed Producer is responsible for all regulatory costs to obtain the required approvals to sell the Product in Canada at the Licensed Producer's sole cost and expense.

(c) The Company will be entitled to the following milestone payments pursuant to the License Agreement:

(i) An initial $200,000 non-refundable payment was received upon execution of the License Agreement. A further $200,000 was received in September, 2018 upon the development of extended-release cannabis tablets acceptable to the Licensed Producer acting reasonably-on the basis of in-vitro dissolution data. These milestone payments have been recorded as deferred revenue and are both being amortized over the initial contract term of 5 years. Revenue recognized on these milestone payments during the three and six month periods ended November 30, 2018 was $22,500 and $32,500 respectively (November 30, 2017 - $5,555 and $5,555 respectively). Deferred revenue as at November 30, 2018 totalled $340,833 (May 31, 2018 - $173,333).

(ii) Another $200,000 is to be received within forty-five (45) days following reasonably acceptable results from a stability study and an in-vivo bio-availability study confirming the Product provides "extended release". This in vivo study will involve 12 people and blood sampling over 12 hours;

(iii) Upon the Licensed Producer being approved by Health Canada to sell pharmaceutically acceptable formulations of each of the three extended-release cannabinoid tablet formulations (high HTC, balanced THC/CBD and high CBD), a further $200,000 is to be received for each of three formulations.

10. **DEFERRED REVENUE, CONTINUED**

(d) The Company will be entitled to the following royalty payments pursuant to the License Agreement:

(i) 10% of the gross sales the Licensed Producer receives from sales of each Product in the territory on sales up to and including $15 million per year and 15% of gross sales on sales exceeding $15 million per year.

(ii) The Licensed Producer shall be the exclusive licensee in the territory providing that the Licensed Producer meets the following royalty payment thresholds:

- First 12 months following first commercial sale: $300,000.
- Second 12 months following first commercial sale: $1,200,000.
- Third 12 months following first commercial sale and all subsequent 12 month periods: $2,100,000.

(e) If any of these thresholds are not met, the Licensed Producer shall have the option of making up the difference between the royalty-based payments and the thresholds. If the thresholds are not met and the Licensed Producer does not at its sole discretion make up the difference between the royalty-based payments and the thresholds, then the license shall, at the Company's sole option, terminate or the Company may designate the Licensed Producer as a non-exclusive licensee of the patents and the licensed know-how. In either event, the Company may thereafter itself sell the Products or otherwise exercise the patent and know-how rights without restriction or license any number of third parties to sell the Products or otherwise exercise the patent and know-how rights without restriction.

11. **SHARE CAPITAL, STOCK OPTIONS AND SPECIAL WARRANTS**

(a) **Exercise of broker warrants**

In September, 2018, 21,900 broker warrants were exercised for cash proceeds of $21,900, resulting in the issuance of 21,900 common shares.

(b) **Stock option grants**

(i) 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 $0.37.

(ii) On September 18, 2018, the Company issued 100,000 stock options to certain employees, all of which vested immediately. Each option entitles the holder thereof to acquire one common share for a period of 3 years at an exercise price of $1.22 per common share.

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 2.16%, (2) expected volatility of 123%, (3) expected life of 3.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.69.

(iii) Share-based compensation recognized on these two option grants for the three and six month periods ended November 30, 2018 was $68,720 and $96,160 respectively (November 30, 2017 - $Nil and $Nil respectively).

(c) **Issuance of special warrants**

On September 12, 2018, the Company issued special warrants to arm's length companies as follows:

(i) As part of its compensation, a financial advisory firm was issued 200,000 special warrants *(see note 5(b))*. 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. 100,000 special warrants shall vest immediately and the balance of 100,000 special warrants shall vest if the daily volume weighted average trading price of the Issuer's common shares is greater than $1.25 for 20 consecutive trading days within six months of issuance. This condition has been met, such that all 200,000 special warrants vested during the reporting period.

11. **SHARE CAPITAL, STOCK OPTIONS AND SPECIAL WARRANTS, CONTINUED**

The fair value of these special warrants has been calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 2.16%, (2) expected volatility of 123%, (3) expected life of 3.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each special warrant was $0.66.

(ii) As part of its compensation, an investor relations firm was issued 250,000 special warrants *(see note 5(c))*. 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 special warrants are subject to a vesting period as follows: 1/4 of the options vesting on each of December 12, 2018, March 12, 2019, June 12, 2019 and September 12, 2019, such that none vested during the reporting period.

The fair value of these special warrants has been calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 2.16%, (2) expected volatility of 123%, (3) expected life of 5.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each special warrant was $0.77.

(iii) Share-based compensation recognized on these two special warrant issuances for the three and six month periods ended November 30, 2018 was $131,980 and $131,980 respectively (November 30, 2017 - $Nil and $Nil respectively).

(d) **Loss per share**

Basic and diluted 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)*, the weighted average number of common shares outstanding for the three and six month periods ended November 30, 2018 were 25,299,863 and 25,292,240 respectively (three and six month periods ended November 30, 2017 - 18,852,000 and 18,852,000 respectively).

12. **RELATED PARTY TRANSACTIONS AND BALANCES**

During the six month periods ended November 30, 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 $60,000 were recorded during the six month period ended November 30, 2018 (November 30, 2017 - $60,000) 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.

12. **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 six month period ended November 30, 2018 (November 30, 2017 - $60,000) 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. Salary paid to this individual during the six month period ended November 30, 2018 totalled $40,000 (November 30, 2017 - $Nil)

(c) The Company is related to CMAX Technologies Inc. by virtue of common control. During the six month period ended November 30, 2018, the Company paid rent of $60,000 (November 30, 2017 - $60,000) 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.

13. **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:

			November 30, 2018		**May 31, 2018**	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
			$	**$**	$	$
Cash	FVTPL	Fair value	**3,060,587**	**3,060,587**	4,217,850	4,217,850
Accounts receivable	Loans and receivables	Amortized cost	**256,149**	**256,149**	170,021	170,021
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**118,277**	**118,277**	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 November 30, 2018, the Company had working capital of $3,139,960 (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.

14. COMPARATIVE FIGURES

The unaudited interim condensed consolidated statement of net loss and comprehensive loss for the six month period ended November 30, 2017 has been reclassified, where applicable, to conform to the presentation adopted in the current year.

15. SUBSEQUENT EVENT

On December 5, 2018, the Company announced the launch of a research partnership with Dr. Don Garbuz, M.D., Head of the Division of Lower Limb Reconstruction and Oncology of the Department of Orthopaedics at the University of British Columbia ("UBC"), subject to approval of the University of British Columbia where the proposed clinical trial will take place.

The Company is seeking approval from UBC to conduct, with Dr. Garbuz as lead investigator, clinical trials to determine the efficacy of Canntab's products in helping effectively treat pain in patients. The study will look at the use of Canntab tablets to treat pain after knee replacement surgery. Patient safety and tolerability will also be assessed. Further, Canntab's patent pending filing for addiction treatment therapy for opioids and other painkillers, and its specific proprietary tablet formulation, will be the starting point for the dosing delivery mechanism to be used in the study.

The financial arrangement calls for an initial upfront fee to create the clinical protocol while securing the participation and, required approvals of the clinical trial by UBC and the independent team comprising the Ethics Committee. Following those approvals, funds will be disbursed partially on certain milestones being achieved. The total cost of the study is estimated at approximately $600,000 with an anticipated time frame to complete of between 12 to 18 months.