CANNTAB THERAPEUTICS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED AUGUST 31, 2019 AND 2018

(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, 2019 AND MAY 31, 2019
(Stated in $CAD)
(Unaudited - Prepared by Management)

	August 31 2019	May 31 2019
ASSETS		
Current:		
Cash and cash equivalents (Note 4)	$ 437,564	$ 413,978
Short term investment	175,000	1,175,000
Accounts receivable (Note 5)	322,286	239,762
Prepaid expenses	44,293	75,434
	979,143	1,904,174
Long term:		
Advance to supplier	166,667	166,667
Plant and equipment (Note 6)	824,772	342,859
Right-of-use asset (Note 7)	337,812	-
Intangible assets	203,069	179,785
	$ 2,511,463	$ 2,593,485
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 8)	$ 317,011	$ 192,294
Current portion of lease liability (Note 9)	91,092	-
Current portion of contract liability (Note 10)	-	40,000
	408,103	232,294
Long term:		
Lease liability (Note 9)	250,707	-
Contract liability (Note 10)	-	93,334
	658,810	325,628
SHAREHOLDERS' EQUITY		
Common shares (Note 11)	6,554,281	6,554,281
Contributed surplus	1,721,492	1,696,819
Accumulated deficit	(6,423,120)	(5,983,243)
	1,852,653	2,267,857
	$ 2,511,463	$ 2,593,485

Going concern (Note 2(c))

Commitments (Note 14)

Subsequent event (Note 16)

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, 2019 AND 2018

(Stated in $CAD)

(Unaudited - Prepared by Management)

	2019	2018
Revenue		
License fees (Note 10)	**$ 133,334**	$ 10,000
Expenses		
Employee compensation and benefits	**203,076**	117,568
Consulting fees	**115,521**	111,389
General and administrative	**68,498**	27,401
Professional fees	**46,893**	41,454
Research and development	**31,453**	36,146
Investor relations, marketing and regulatory expenses	**25,697**	48,367
Maintenance	**8,866**	20,788
Occupancy costs	**-**	30,000
Share based compensation	**24,673**	27,440
Depreciation of plant and equipment and right-of-use asset	**48,309**	14,820
Amortization of intangible assets	**4,179**	3,278
	577,165	478,651
Loss from operations	**(443,831)**	(468,651)
Other income		
Interest income	**3,954**	21,795
Net loss and comprehensive loss	**$ (439,877)**	$ (446,856)
Basic loss per share (Note 11(a))	**$ (0.02)**	$ (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, 2018 TO AUGUST 31, 2019
(Stated in $CAD)
(Unaudited - Prepared by Management)

	Common shares Number	Common shares Amount	Contributed surplus	Accumulated deficit	Total
As at May 31, 2018	**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 compensation	-	-	27,440	-	27,440
As at August 31, 2018	**25,284,701**	**6,516,681**	**1,337,590**	**(3,971,521)**	**3,882,750**
Shares issued on exercise of broker warrants	21,900	37,600	(15,700)	-	21,900
Net loss and comprehensive loss	-	-	-	(2,011,722)	(2,011,722)
Share based compensation	-	-	374,929	-	374,929
As at May 31, 2019	**25,306,601**	**6,554,281**	**1,696,819**	**(5,983,243)**	**2,267,857**
Net loss and comprehensive loss	-	-	-	(439,877)	(439,877)
Share based compensation	-	-	24,673	-	24,673
As at August 31, 2019	**25,306,601**	**$ 6,554,281**	**$ 1,721,492**	**$ (6,423,120)**	**$ 1,852,653**

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, 2019 AND 2018
(Stated in $CAD)
(Unaudited - Prepared by Management)

	2019	2018
Operating activities		
Net loss and comprehensive loss	**$ (439,877)**	$ (446,856)
Add (deduct) items not affecting cash		
Share based compensation	**24,673**	27,440
Depreciation of plant and equipment	**48,309**	14,820
Amortization of contract liability	**(133,334)**	(10,000)
Amortization of intangible assets	**4,179**	3,278
	(496,050)	(411,318)
Change in non-cash working capital items		
Accounts receivable	**(82,524)**	(58,990)
Prepaid expenses	**31,144**	15,522
Accounts payable and accrued liabilities	**124,714**	(141,889)
	(422,716)	(596,675)
Investing activities		
Purchase of intangible assets	**(27,463)**	(28,281)
Short term investment	**1,000,000**	650,000
Purchase of plant and equipment	**(504,887)**	(97,147)
	467,650	524,572
Financing activities		
Repayment of lease liability	**(21,348)**	-
Change in cash and cash equivalents	**23,586**	(72,103)
Cash and cash equivalents, beginning of period	**413,978**	717,850
Cash and cash equivalents, end of period	**$ 437,564**	$ 645,747

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, L3R 5J6, is a Canadian company engaged in the research and development of advanced, pharmaceutical-grade formulations of cannabinoids and terpenes. Canntab's proprietary hard pill cannabinoid formulations will provide doctors, patients and the general consumer with a medical grade solution with all the features one would expect from any prescription or over the counter medication.

Canntab trades on the Canadian Securities Exchange under the symbol "PILL", the OTCQX Best Market under the symbol "CTABF" and the Frankfurt Stock Exchange under the symbol "TBF1".

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) 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 International Accounting Standards Board ("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 3 to the Company's annual consolidated financial statements for the year ended May 31, 2019 which were prepared in accordance with IFRS as issued by the IASB, except for the accounting policy listed below in note 3(b).

The unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on October 30, 2019.

(b) Basis of presentation

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.

2. BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED

(c) Going concern

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these unaudited interim condensed consolidated financial statements. Such adjustments could be material.

As at August 31, 2019, the Company had no source of operating cash flow and had an accumulated deficit of $6,423,120 (2019 - $5,983,243). Working capital as at August 31, 2019 was $571,040 compared to $1,671,880 as at August 31, 2018. Net loss and comprehensive loss for the three month period ended August 31, 2019 was $439,877 (2019 - $446,856). Other than some initial licensing fees received *(see note 10)*, operations since inception have been funded from the issuance of share capital and exercise of stock options and warrants.

As evidenced by its accumulated deficit and decreasing working capital position, the Company has made significant capital and operational investments from the funds raised from initial seed capital and the go-public process. These funds have been used to build out the legal and operating infrastructure and intellectual property portfolio necessary to capitalize on the opportunities within the cannabis marketplace in Canada within the rules and licensing requirements established by Health Canada.

The Company anticipates it will have sufficient cash on hand to service its liabilities and fund public company operating costs for the immediate future. However, there is uncertainty as to how long these funds will last. In order to continue active operations, the Company will need to (i) arrange future financing that will largely depend upon prevailing capital market conditions, and (ii) the continued support of its shareholder base. There is uncertainty that the Company will be able to obtain additional financing for the long-term future. The Company believes that, based on forecasts and the ability to reduce expenditures, if required, it will be able to continue as a going concern for the foreseeable future. Management is currently reviewing financing options to raise the funds required to continue its strategy of expanding its manufacturing facilities, its research and development and geographic coverage, but there can be no assurance that management's plans will be successful. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **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 consolidated financial statements. All intercompany balances and transactions between the Company and its consolidated subsidiaries are eliminated upon consolidation.

(b) **Leases**

In January 2016, the IASB issued IFRS 16 "Leases", which supersedes IAS 17 "Leases", as well as several interpretations on leases. IFRS 16 eliminates the classification of leases by a lessee between operating and finance leases and introduces a single, on-balance sheet accounting model for lessees. As a result, the Company has recognized a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The details of this change in accounting policy are disclosed below.

The Company recognizes an ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Company has applied judgement to determine the lease term for lease contracts which include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

Leases with a term less than twelve months or of a low value are expensed as incurred.

Transition

The Company adopted IFRS 16 in its unaudited interim financial statements for the period beginning June 1, 2019 using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at June 1, 2019. Accordingly, the prior period financial information has not been restated, ie, it is presented, as previously reported, under IAS 17 and related interpretations.

The Company used the following practical expedients as permitted under the new IFRS 16 standard:

Leases with a remaining lease term of less than twelve months as at February 1, 2019 are classified as short-term leases.
Leases of low dollar value continue to be expensed as incurred.
The Company did not apply any grandfathering practical expedients.

As a result of initially applying IFRS 16, the Company recognized a right-of-use asset and its corresponding lease liability of $363,147 as at June 1, 2019 *(see notes 7 and 9)*, which were measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate of 10%. The associated ROU asset was measured at the lease liability amount on June 1, 2019 resulting in no adjustment to the opening balance of retained earnings. The ROU asset and lease liability recognized as of June 1, 2019 relate to the Company's lease of its corporate offices in Markham, Ontario.

During the interim period ended August 31, 2019, the Company has recognized $25,335 of depreciation expense and $8,652 of interest expense from this lease, instead of operating lease expense of $30,000.

4. CASH AND CASH EQUIVALENTS

	August 31 2019	May 31 2019
Cash (bank overdraft)	**$ 106,879**	$ 78,859
Cash in Company lawyer's trust account	**330,685**	335,119
	$ 437,564	$ 413,978

The cash in the Company lawyer's trust account is unrestricted and represents the funds remaining from an April, 2018 financing yet to be remitted to the Company.

5. ACCOUNTS RECEIVABLE

	August 31 2019	May 31 2019
HST ITC's recoverable	$ **319,427**	$ 233,585
Accrued interest receivable	**1,017**	6,177
Other	**1,842**	-
	$ **322,286**	$ 239,762

The Company received HST ITC refunds of $223,317 in September, 2019. The remaining balance of $96,110 represents the quarterly filing for the quarterly period ended August 31, 2019.

6. PLANT AND EQUIPMENT

	Production equipment	Furniture and fixtures	Computer hardware	Construction in progress	Total
Cost					
As at May 31, 2018	$ **192,165**	$ **5,939**	$ **7,257**	$ **395**	$ **205,756**
Additions	114,460	6,073	3,801	125,614	249,948
As at May 31, 2019	**306,625**	**12,012**	**11,058**	**126,009**	**455,704**
Additions	189,020	2,090	-	313,777	504,887
As at August 31, 2019	$ **495,645**	$ **14,102**	$ **11,058**	$ **439,786**	$ **960,591**
Accumulated depreciation					
As at May 31, 2018	$ **44,232**	$ **593**	$ **1,088**	$ **-**	$ **45,913**
Depreciation	62,835	1,676	2,421	-	66,932
As at May 31, 2019	**107,067**	**2,269**	**3,509**	**-**	**112,845**
Depreciation	21,868	540	566	-	22,974
As at August 31, 2019	$ **128,935**	$ **2,809**	$ **4,075**	$ **-**	$ **135,819**
Net book value					
As at May 31, 2019	$ **199,558**	$ **9,743**	$ **7,549**	$ **126,009**	$ **342,859**
As at August 31, 2019	$ **366,710**	$ **11,293**	$ **6,983**	$ **439,786**	$ **824,772**

Costs related to construction of lab and production facilities were capitalized to construction in progress and not depreciated. Depreciation will commence when construction is complete and the facility is available for its intended use.

7. RIGHT OF USE ASSET

	Building	Total
Cost		
As at May 31, 2019	$ -	$ -
Right-of-use asset on transition to IFRS 16 *(see note 3(b))*	363,147	363,147
As at August 31, 2019	**$ 363,147**	**$ 363,147**
Accumulated depreciation		
As at May 31, 2019	$ -	$ -
Depreciation	25,335	25,335
As at August 31, 2019	**$ 25,335**	**$ 25,335**
Net book value		
As at August 31, 2019	**$ 337,812**	**$ 337,812**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31 2019	May 31 2019
Accounts Payable And Accrued Liabilities	**$ 100**	$ -
Trade accounts payable	**131,139**	51,313
Accrued liabilities	**179,892**	135,101
Other	**5,880**	5,880
	$ 317,011	$ 192,294

9. LEASE LIABILITY

As a result of initially applying IFRS 16, the Company recognized a lease liability of $363,147 as at June 1, 2019 *(see note 3(b))*. This valuation was determined based upon the Company's monthly payment of $10,000 until lease expiry by December 31, 2022 for its office premises in Markham, Ontario. Interest expense of $8,652 during the interim period ended August 31, 2019 was recognized from these lease.

	August 31, 2019	May 31, 2019
Lease liability (including current portion), beginning of period	**$ -**	$ -
Lease liability on transition to IFRS 16 (Note 3(b))	**363,147**	-
Interest payable on lease liabilities	**8,652**	-
Repayments during the period	**(30,000)**	-
Lease liabilities (including current portion), end of period	**$ 341,799**	$ -

10. CONTRACT LIABILITY

	Three months ended August 31 2019	Year ended May 31 2019
Balance, beginning of period	**$ 133,334**	$ 173,333
Additions	**-**	200,000
Recognized as revenue in period	**(133,334)**	(239,999)
Balance, end of period	**-**	133,334
Current portion	**-**	(40,000)
Long-term portion	**$ -**	$ 93,334

During the three-month period ended August 31, 2019, the Company recognized the remainder of the balance in contract liability following the cancellation on June 24, 2019 of the agreement with Aleafia Health Inc., parent company of Emblem Corp., for non performance.

11. SHARE CAPITAL AND STOCK OPTIONS

(a) **Loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three month period ended August 31, 2019 was 25,306,601 (2018 - 25,284,701).

(b) On July 31, 2019, the Company issued 20,000 stock options to an employee. Each option entitles the holder thereof to acquire one common share for a period of 3 years at an exercise price of $1.21 per common share, all of which vested immediately.

The fair value of these options was calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 1.52%, (2) expected volatility of 94%, (3) expected life of 3.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.19.

12. RELATED PARTY TRANSACTIONS

During the three month periods ended August 31, 2019 and 2018, the Company had the following related party transactions:

(a) Under the terms of a consulting contract effective January, 2017, fees of $30,000 were recorded during the three month period ended August 31, 2019 (2018 - $30,000) by an entity controlled by an individual who is both an officer and director of the Company for his services as CFO.

This individual also received payments with respect to a car allowance of $2,400 during the three month period ended August 31, 2019 (2018 - $11,200).

As at August 31, 2019, accounts payable and accrued liabilities included $Nil (2018 - $11,300) owing to this entity.

(b) Under the terms of a consulting contract effective January, 2017, fees of $Nil were recorded during the three month period ended August 31, 2019 (2018 - $20,000) 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, subsequently increased to $12,500 per month. Salary paid to this individual during the three month period ended August 31, 2019 totalled $37,500 (2018 - $10,000).

This individual also received payments with respect to a car allowance of $2,400 during the three month period ended August 31, 2019 (2018 - $11,200).

(c) The Company is related to CMAX Technologies Inc. by virtue of common control. The Company entered into a lease renewal agreement dated December 1, 2018 with CMAX under which it is obligated to make monthly rent payments of $10,000 until expiry on December 31, 2022. During the three month period ended August 31, 2019, the Company made payments of $30,000 which were applied against the operating lease now capitalized under IFRS 16 *(see note 9)*. During the three month period ended August 31, 2018, rent of $30,000) was paid to CMAX.

As at August 31, 2019, accounts payable and accrued liabilities included $5,880 (May 31, 2019 - $5,880) owing to this entity.

(d) Legal fees recorded during the three month period ended August 31, 2019 from a law firm of which a director is a partner totalled $Nil (2018 - $10,163). As at August 31, 2019, accounts payable and accrued liabilities included $6,517 (May 31, 2019 - $15,676) owing to this firm.

13. FINANCIAL INSTRUMENTS AND RISK FACTORS

Fair value of financial instruments

The fair values of cash and cash equivalents, 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.

13. **FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED**

(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, 2019		May 31, 2019	
Assets/liabilities	**Measurement**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		$	**$**	$	$
Cash	Amortized cost	**437,564**	**437,564**	413,978	413,978
Short term investment	Amortized cost	**175,000**	**175,000**	1,175,000	1,175,000
Accounts receivable	Amortized cost	**322,286**	**322,286**	239,762	239,762
Advance to supplier	Amortized cost	**166,667**	**166,667**	166,667	166,667
Accounts payable and accrued liabilities	Amortized cost	**317,011**	**317,011**	192,294	192,294

(b) **Credit risk**

The Company's credit risk is attributable to its accounts receivable (comprised of refundable HST ITC's) and the advance to a supplier. Management believes that credit risk with respect to (i) accounts receivable is minimal, with refund expected in the second quarter of 2020, and (ii) advance to supplier is minimal as the amount is secured and is expected to offset within the current year against purchases of hemp.

Cash and cash equivalents consists of bank deposits and unrestricted funds held in the Company lawyer's trust account. The short term investment is a guaranteed investment certificate cashable at any time in whole or in part with no penalty. All of the above have been invested with a Canadian chartered bank, from which management believes the risk of loss to be remote. The Company has no material concentration of credit risk arising from operations.

(c) **Liquidity risk**

Liquidity risk is the risk that the Company cannot meet its financial liabilities as they become due. As at August 31, 2019, the Company had working capital of $571,040 (May 31, 2019 - $1,671,880) 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.

(d) **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

(i) The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

13. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

(ii) Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risks. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. As the Company's investments are short-term in nature, interest rate risk is remote.

14. COMMITMENTS

As at August 31, 2019, the company was committed to:

(i) a contract with its investor relations firm until March, 2020 at a monthly rate of $7,500, cancellable any time after three months with 30 days written notice from either party

(ii) an occupancy lease until December, 2022 at a monthly rate of $10,000 *(see note 12(c))*

(iii) consulting and employment contracts with the Company's officers at monthly rates of $10,000 *(see note 12(a))* and $12,500 *(see note 12(b))* respectively

15. COMPARATIVE FIGURES

Certain comparative information have been reclassified to conform with the current period presentation.

16. SUBSEQUENT EVENT

On October 8, 2019, the Company announced the signing of a binding Letter of Intent ("LOI") to establish a joint venture (the "Joint Venture") with World Class Extractions Inc. ("WCE"). Pursuant to the terms of the LOI, WCE will install certain extraction and processing systems at Canntab's production facility in Markham, Ontario. WCE is expected to begin delivery and installation of systems this month, and Canntab is expected to utilize the systems upon receiving its Licensed Producer status from Health Canada.

Following execution of the definitive joint venture agreement (the "JV Agreement"), WCE and Canntab will each hold a 50% interest in the Joint Venture that will be established. The Joint Venture will acquire extraction systems from WCE. The equipment will initially have an extraction and processing capacity of up 225 kilos of biomass per day, which could provide approximately 18 kilos of oil from high potency cannabis. This could then be used to create approximately 1,800,000 10mg tablets. Under the JV Agreement, the systems will remain the property of WCE until all costs are recovered, at which time the equipment will become the property of the Joint Venture.