CANNTAB THERAPEUTICS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED NOVEMBER 30, 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 NOVEMBER 30, 2019 AND MAY 31, 2019
(Stated in $CAD)
(Unaudited - Prepared by Management)

	November 30 2019	May 31 2019
ASSETS		
Current:		
Cash and cash equivalents (Note 5)	**$ 182,844**	$ 413,978
Short term investment	**-**	1,175,000
Accounts receivable (Note 6)	**63,947**	239,762
Prepaid expenses	**48,769**	75,434
Advance to supplier (Note 9)	**166,667**	-
	462,227	1,904,174
Long term:		
Advance to supplier	**-**	166,667
Plant and equipment (Note 7)	**908,614**	342,859
Right-of-use asset (Note 8)	**312,477**	-
Intangible assets	**250,552**	179,785
	$ 1,933,870	$ 2,593,485
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 9)	**$ 335,062**	$ 192,294
Current portion of lease liability (Note 10)	**92,394**	-
Current portion of contract liability (Note 11)	**-**	40,000
	427,456	232,294
Long term:		
Lease liability (Note 10)	**227,518**	-
Contract liability (Note 11)	**-**	93,334
	654,974	325,628
SHAREHOLDERS' EQUITY		
Common shares (Note 12)	**6,554,281**	6,554,281
Contributed surplus	**1,770,838**	1,696,819
Accumulated deficit	**(7,046,223)**	(5,983,243)
	1,278,896	2,267,857
	$ 1,933,870	$ 2,593,485

Going concern (Note 2(c))

Commitments (Note 15)

Subsequent event (Note 17)

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, 2019 AND 2018

(Stated in $CAD)

(Unaudited - Prepared by Management)

	Three months ended November 30 2019	**Six months ended November 30** 2018	Three months ended November 30 2018	Six months ended November 30 2018
Revenue				
License fees (Note 11)	**$ -**	**$ 133,334**	$ 22,500	$ 32,500
Expenses				
Employee compensation and benefits	**191,833**	**394,909**	151,466	269,034
Consulting fees	**132,807**	**248,329**	115,827	227,215
General and administrative	**57,181**	**125,684**	37,717	65,117
Professional fees	**58,729**	**105,617**	62,881	104,335
Research and development	**41,032**	**72,486**	14,478	50,624
Investor relations, marketing and regulatory expenses	**19,379**	**45,076**	168,167	216,534
Maintenance	**20,407**	**29,273**	20,565	41,353
Occupancy costs (Note 13(c))	**-**	**-**	30,000	60,000
Share based compensation (Note 12(c))	**49,346**	**74,019**	200,700	228,140
Depreciation of plant and equipment and right-of-use asset	**50,712**	**99,021**	14,369	29,189
Amortization of intangible assets	**4,084**	**8,262**	3,664	6,943
	625,510	**1,202,676**	819,834	1,298,484
Loss from operations	**(625,510)**	**(1,069,342)**	(797,334)	(1,265,984)
Other income				
Interest income	**2,408**	**6,362**	9,938	31,733
Net loss and comprehensive loss	**$ (623,102)**	**$ (1,062,980)**	$ (787,396)	$ (1,234,251)
Basic loss per share (Note 12(a))	**$ (0.02)**	**$ (0.04)**	$ (0.03)	$ (0.05)

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 NOVEMBER 30, 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**
Proceeds from exercise of broker warrants	21,900	37,600	(15,700)	-	21,900
Net loss and comprehensive loss	-	-	-	(1,234,251)	(1,234,251)
Share based compensation	-	-	228,140	-	228,140
As at November 30, 2018	**25,306,601**	**6,554,281**	**1,522,590**	**(4,758,916)**	**3,317,955**
Net loss and comprehensive loss	-	-	-	(1,224,327)	(1,224,327)
Share based compensation	-	-	174,229	-	174,229
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	-	-	-	(1,062,980)	(1,062,980)
Share based compensation	-	-	74,019	-	74,019
As at November 30, 2019	**25,306,601**	**$ 6,554,281**	**$ 1,770,838**	**$ (7,046,223)**	**$ 1,278,896**

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, 2019 AND 2018

(Stated in $CAD)

(Unaudited - Prepared by Management)

	2019	2018
Operating activities		
Net loss and comprehensive loss	**$ (1,062,980)**	$ (1,234,251)
Add (deduct) items not affecting cash:		
Share based compensation	**74,019**	228,140
Depreciation of plant and equipment	**107,283**	36,132
Amortization of contract liability	**(133,334)**	(32,500)
	(1,015,012)	(1,002,479)
Change in non-cash working capital items		
Accounts receivable	**175,815**	(86,128)
Prepaid expenses	**26,668**	44,149
Accounts payable and accrued liabilities	**142,764**	(155,284)
Contract liability	**-**	200,000
	(669,765)	(999,742)
Investing activities		
Short term investment	**1,175,000**	1,050,000
Purchase of intangible assets	**(79,029)**	(35,982)
Purchase of plant and equipment	**(614,106)**	(143,439)
	481,865	870,579
Financing activities		
Repayment of lease liability	**(43,234)**	-
Proceeds from issuance of broker warrants	**-**	21,900
	(43,234)	21,900
Change in cash and cash equivalents	**(231,134)**	(107,263)
Cash and cash equivalents, beginning of period	**413,978**	717,850
Cash and cash equivalents, end of period	**$ 182,844**	$ 610,587

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 January 28, 2020.

(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 November 30, 2019, the Company had no source of operating cash flow and had an accumulated deficit of $7,046,223 (May 31, 2019 - $5,983,243). Working capital as at November 30, 2019 was $34,771 compared to $1,671,880 as at May 31, 2019. Net loss and comprehensive loss for the six month period ended November 30, 2019 was $1,062,980 (2019 - $1,234,251). Other than some initial licensing fees received *(see note 11)*, 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, 420 Therapeutics Inc. and Canntab USA, Inc., a newly incorporated Delaware company *(see note 4(a))*. 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 8 and 10)*, 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 November 30, 2019, the Company has recognized $50,670 of depreciation expense *(see note 8)* and $16,765 of interest expense *(see note 10)* from this lease, instead of operating lease expense of $60,000 as in the prior year *(see note 13(c))*.

4. NEW SIGNIFICANT AGREEMENTS

(a) Exactus Inc.

(i) On November 20, 2019, the Company announced the signing of a supply agreement (the "Supply Agreement") and a non-exclusive distribution and profit sharing agreement (the "Distribution Agreement", and together with the Supply Agreement, the "Agreements") with Exactus Inc. ("Exactus") (OTCMKTS: EXDI), a farm operator and manufacturer of hemp-derived phytocannabinoid products in the U.S.

The Company's operations in the US will be conducted through Canntab USA, Inc., a 100% owned newly incorporated Delaware corporation.

(ii) Pursuant to the Supply Agreement, Canntab will purchase hemp-derived CBD oil resin from Exactus for use in its hard pill formulations, which are expected to include a variety of hemp-derived cannabinoids. In connection with the entering into of the Agreements, Canntab is expected to equip a facility in Florida for the purpose of manufacturing advanced hemp-derived cannabinoid hard pill formulations for distribution throughout the U.S. The Supply Agreement is for an initial term of two years, and unless terminated in accordance with its terms, will automatically renew thereafter for additional two year terms.

(iii) Pursuant to the Distribution Agreement, Canntab and Exactus will share the gross profits derived from the sale of Canntab's hard pill formulations, with the gross profits to be allocated in one of two ways, depending on the party originating such sales. The Distribution Agreement is for an initial term of two years, and unless terminated in accordance with its terms, may be renewed thereafter for two additional two-year terms.

(iv) The parties are currently working to finalize and enter into a separate sub-lease agreement, which is necessary to implement the parties' arrangement under the Agreements. Under the sublease agreement, Exactus is expected to be responsible for building out and making improvements to the Florida facility while Canntab is expected to be responsible for providing equipment and expertise.

4. **NEW SIGNIFICANT AGREEMENTS, CONTINUED**

(b) **World Class Extractions Inc.**

(i) 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.

(ii) 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.

5. **CASH AND CASH EQUIVALENTS**

	November 30 2019	May 31 2019
Cash	**$ 152,159**	$ 78,859
Cash in Company lawyer's trust account	**30,685**	335,119
	$ 182,844	$ 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.

6. **ACCOUNTS RECEIVABLE**

	November 30 2019	May 31 2019
HST ITC's recoverable	**$ 58,807**	$ 233,585
Accrued interest receivable	**-**	6,177
Other	**5,140**	-
	$ 63,947	$ 239,762

The Company received HST ITC refunds of $321,193 in the current quarter. The remaining balance of $58,807 represents the quarterly filing for the quarterly period ended November 30, 2019.

7. 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	216,067	2,090	-	395,949	614,106
As at November 30, 2019	**$ 522,692**	**$ 14,102**	**$ 11,058**	**$ 521,958**	**$ 1,069,810**
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	46,139	1,079	1,133	-	48,351
As at November 30, 2019	**$ 153,206**	**$ 3,348**	**$ 4,642**	**$ -**	**$ 161,196**
Net book value					
As at May 31, 2019	**$ 199,558**	**$ 9,743**	**$ 7,549**	**$ 126,009**	**$ 342,859**
As at November 30, 2019	**$ 369,486**	**$ 10,754**	**$ 6,416**	**$ 521,958**	**$ 908,614**

Costs related to construction of lab and production facilities have been capitalized to construction in progress and not depreciated. Construction was completed in December, 2019 as evidenced by the submission of the Company's Site Evidence Package to Health Canada for approval of their Licence Producer Status. The submission marks the final step required to obtain a licence to process cannabis at the facility, pending Health Canada review and approval. Depreciation will commence once production starts.

8. 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 November 30, 2019	**$ 363,147**	**$ 363,147**
Accumulated depreciation		
As at May 31, 2019	$ -	$ -
Depreciation	50,670	50,670
As at November 30, 2019	**$ 50,670**	**$ 50,670**
Net book value		
As at November 30, 2019	**$ 312,477**	**$ 312,477**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30 2019	May 31 2019
Trade accounts payable	**$ 147,862**	$ 51,313
Accrued liabilities	**151,770**	135,101
Accounts payable - related company	**35,430**	5,880
	$ 335,062	$ 192,294

Certain operating costs of the Company were paid on its behalf by the related company described in note 13(c)).

10. **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 *(see note 13(c))*. Interest expense of $16,765 was recognized on this lease.during the six month period ended November 30, 2019.

	November 30 2019	May 31 2019
Balance, beginning of period	**$ -**	$ -
Lease liability on transition to IFRS 16 (Note 3(b))	**363,147**	-
Interest payable on lease liabilities	**16,765**	-
Repayments during the period	**(60,000)**	-
Balance, end of period	**319,912**	-
Less current portion	**(92,394)**	-
Long-term portion	**$ 227,518**	$ -

11. **CONTRACT LIABILITY**

	November 30 2019	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 s revenue following the cancellation on June 24, 2019 of the agreement with Aleafia Health Inc., parent company of Emblem Corp., for non performance.

12. **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 six month period ended November 30, 2019 were 25,306,601 and 25,306,601 respectively (six month period ended November 30, 2018 - 25,299,863 and 25,292,240 respectively).

12. **SHARE CAPITAL AND STOCK OPTIONS, CONTINUED**

(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.

(c) Total share based payments of $74,019 was recognized during the six month period ended November 30, 2019 (2018 - $228,140) based on accrual of previously granted options and special warrants expected to vest in the reporting period.

13. **RELATED PARTY TRANSACTIONS**

During the six month periods ended November 30, 2019 and 2018, the Company had the following related party transactions:

(a) Under the terms of a consulting contract effective January, 2017, fees of $60,000 were recorded during the six month period ended November 30, 2019 (2018 - $60,000) 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 $3,816 during the six month period ended November 30, 2019 (2018 - $13,600).

As at November 30, 2019, accounts payable and accrued liabilities included $11,300 (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 six month period ended November 30, 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 six month period ended November 30, 2019 totalled $75,000 (2018 - $40,000).

This individual also received payments with respect to a car allowance of $3,816 during the six month period ended November 30, 2019 (2018 - $13,600).

13. **RELATED PARTY TRANSACTIONS, CONTINUED**

(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 six month period ended November 30, 2019, the Company made payments of $60,000 which were applied against the operating lease now capitalized under IFRS 16 *(see note 10)*. During the six month period ended November 30, 2018, rent of $60,000 was paid to CMAX.

As at November 30, 2019, accounts payable and accrued liabilities included $35,429 (May 31, 2019 - $5,880) owing to this entity.

(d) Legal fees recorded during the six month period ended November 30, 2019 from a law firm of which a director is a partner totalled $Nil (2018 - $22,681). As at November 30, 2019, accounts payable and accrued liabilities included $Nil (May 31, 2019 - $15,676) owing to this firm.

14. **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.

(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, 2019		**May 31, 2019**	
Assets/liabilities	**Measurement**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		$	**$**	$	$
Cash	Amortized cost	**182,844**	**182,844**	413,978	413,978
Short term investment	Amortized cost	**-**	**-**	1,175,000	1,175,000
Accounts receivable	Amortized cost	**63,947**	**63,947**	239,762	239,762
Advance to supplier	Amortized cost	**-**	**-**	166,667	166,667
Accounts payable and accrued liabilities	Amortized cost	**335,062**	**335,062**	192,294	192,294

(b) **Credit risk**

The Company's credit risk is attributable to its accounts receivable (comprised mostly of refundable HST ITC's) and the advance to a supplier. Management believes that credit risk with respect to (i) accounts receivable is minimal, as HST refunds are now received within one month of filing, 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.

14. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

(b) **Credit risk, continued**

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**

The business of the Company necessitates the management of liquidity risk. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due in the short-term due to a shortfall of working capital.. The Company's objective is to mitigate short-term liquidity risk by maintaining adequate working capital reserves and its long-term liquidity risk through good relations with external capital markets. 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. However, with current working capital of $34,771 as at November 30, 2019, the Company believes its exposure to liquidity risk is elevated *(see note 2(c))*, pending arrangement of any future financing.

(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.

(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.

15. COMMITMENTS

As at November 30, 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 13(c))*

(iii) consulting and employment contracts with the Company's officers at monthly rates of $10,000 *(see note 13(a))* and $12,500 *(see note 13(b))* respectively

16. COMPARATIVE FIGURES

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

17. SUBSEQUENT EVENT

(a) On December 23, 2019, the Company announced the grant of 500,000 special warrants to an external consultant. Each special warrant (i) entitles the holder thereof to purchase one common share of the Company at a price of $1.00 per share, and (ii) expire in 3 years.