CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE AND SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018

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The following management discussion and analysis ("MD&A") of Canntab Therapeutics Limited ("Canntab" or "the Company") provides a review of corporate developments, results of operations and financial position for the three and six months ended November 30, 2019 and November 30, 2018 ("2020 Q2 YTD and "2019 Q2 YTD" respectively). This discussion is prepared as of January 28, 2020 and should be read in conjunction with (i) the unaudited interim condensed consolidated financial statements and the accompanying notes for the three and six months ended November 30, 2019 and 2018, and (ii) both the audited consolidated financial statements and MD&A for the fiscal years ended May 31, 2019 and 2018. Additional information relating to the Company is available on Canntab's SEDAR profile at www.sedar.com and the Company's website at www.canntab.ca. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares, (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision, or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

COMPANY OVERVIEW

Canntab Therapeutics Limited ("Canntab" or the "Company") was incorporated on April 20, 2016 under the Canada Business Corporations Act. Following completion of a reverse takeover transaction with Telferscot Resources Inc. in April, 2018, Canntab trades on the Canadian Securities Exchange under the symbol "PILL", on the OTCQX Best Market under the symbol "CTABF", and on the Frankfurt Stock Exchange under the symbol "TBF1". 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. In doing so, Canntab has developed a suite of precision oral dose products that are unavailable elsewhere in the marketplace, formulated in multiple doses and time release combinations. 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.

The Extended Release Tablet ("XR" or the "XR Tablet") is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems. These challenges include, but are not limited to, accuracy of dosing, onset times, duration of action, bioavailability, discreetness of consumption, ease of spoilage and the reduction of side effects, and are all directly addressed by the unique formulation of the XR Tablet. The XR Tablet is designed to contain either THC, CBD or a combination of THC/CBD (depending on the composition of the medicine), permitting it to meet the demands of a broader patient base than the current synthetic-THC based pills in the market today.

Intellectual property underpins the value of XR Tablets in the form of four international patent applications already filed. Canntab is rapidly moving toward the commercialization phase by partnering with a best-in-class licensed producer of medicinal cannabis in Canada and gearing up for its first series of pre-clinical trials.

CURRENT HIGHLIGHTS

- Site Evidence Package submitted to Health Canada on December 23, 2019 as the final step to obtain a licence to process Canntab's cannabis hard pill formulation at its fully built out Markham, Ontario facility.
- Retention of Larry Latowsky, former CEO of Katz Group Canada and its flagship holding Rexall, as an advisor in order to strengthen Canntab's commercialization efforts.
- Canntab will manufacture its hard pill formulations (made from CBD and other hemp derivatives) in a Florida facility operated by Exactus Inc., using equipment supplied by Canntab
  - Manufacturing is expected to begin during 2020 Q4
  - The agreements unlock a distribution channel to an estimated $1B+ CBD market in the U.S.1
  - Canntab's hard pill formulations include extended release, immediate release and oral disintegrating tablets made with a variety of hemp-derived cannabinoids in exacting dosages
  - Canntab is also expected to manufacture its growing line of products at the Florida facility on a white label basis, for distribution to U.S. and International third-party distributors and to end consumers
- Commercial batch manufacturing of oil-filled gel capsules has begun in Cobourg, leading after receiving a Health Canada authorization to begin full scale production and sale (under terms of agreement with FSD Pharma Inc.). All that remains is Health Canada's approval for sale of the finished product.
- Cultivation at the hemp farm by Canntab's licensee in Caledon advances with harvesting having been completed in November 2019. Initial third-party testing indicates the presence of CBD n amounts that meet expectations.

RECENT EVENTS

Site Evidence Package Submitted to Health Canada to Obtain LP Status

On December 23, 2019, the Company announced the submission of its 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.

The Company's facility, located in Markham, Ontario, is designed and fully equipped to accommodate all manufacturing necessary to produce Canntab's pharmaceutical grade cannabis hard pill formulations (solid oral dosage forms), which the Company believes is the future of medical cannabis. The formulations are comprised of various combinations of THC and CBD and will come in dosages of 2.5 mg, 5 mg and 10 mg, in extended release, instant release, and bi-layered solutions. Ongoing research and development into individual cannabinoids is expected to contribute additional formulations and dosage forms for future production.

Application for Cannabis Research License

On November 1, 2019, the Company applied for its Cannabis Research Licence in Canada. The research licence will likely be acquired before Canntab obtains Licensed Producer status, which will allow the Company to receive oil, and to begin preparing formulations product submissions to Health Canada, and machines for full scale manufacturing.

Retention of Larry Latowsky as Advisor

As the Company pivots from development to manufacturing, marketing and distribution, it announced on December 23, 2019 that it had retained the expertise of Larry Latowsky as an advisor. Mr. Latowsky has extensive experience and contacts in the wholesale, retail and direct to consumer pharmaceutical industries, having previously been the President and CEO of Drug Trading Co., and Katz Group Canada, the parent company of Rexall, Pharmaplus, IDA, Guardian, Medicine Shoppe, Herbies, Propharm Technology, and Druggists Corporation (DC Labs). In connection with Mr. Latowski's engagement, the Company has granted him an aggregate of 500,000 common share purchase warrants, each entitling the holder thereof to purchase one common share of the Company at a price of $1.00 per share. The warrants vest over a period of three years.

Exactus Inc. Supply and Distribution Agreements

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.

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

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.

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.

Canntab to Utilize the Advanced BOSS Extraction System from Word Class Extractions

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.

Canntab Receives Initial Indication of Patentability for Immediate Release Cannabidiol Formulation

On August 15, 2019, the Company announced that it has received an initial assessment from the Geneva-based International Preliminary Report on Patentability ("IPRP") for its Immediate Release Cannabidiol Formulation. The IPRP has indicated a positive finding of patentability, meaning that, in their opinion, Canntab's formulation is not only patentable but also novel, non-obvious and useful. National filings have already been completed in the United States and internationally, and the international application has now been completed in Canada and Australia. Although the opinions of the IPRP are not binding, many patent offices, including Canada's for example, often defer to the IPRP. In fact, the Canadian office of the IPRP was also the international searching authority in this particular case, which bodes well for an eventual Canadian patent grant.

Once Canntab receives Health Canada approval for its capsules, the Company will begin white labeling for Canadian licensed producers, including FSD Pharma.

Supply Agreements

On February 12, 2019, Canntab entered into a three-way supply agreement with FSD Pharma and World Class Extractions Inc. (“World Class”) (collectively, the “Purchasers”) to purchase up to 1,000 kg of the 2018 organic hemp crop from Thomas Elcombe (the “Supplier”). The Purchasers intend to extract CBD oil from hemp and process the oil into gel capsules and tablets at the FSD Pharma facility in Cobourg, Ontario.

On February 25, 2019, the Company entered into a further 5 year supply agreement with FSD Pharma and World Class to purchase hemp flower from the Supplier. Pursuant to the agreement, the Supplier grants the Purchasers the right and option to purchase up to $5.0 million of the Supplier's hemp crop for a period of 5 years commencing in 2019 at a purchase price of $100 per kg per 1% of CBD extracted from the flower. The anticipated purchase price for the 2019 crop is $1.0 million plus applicable taxes. In conjunction with this 5 year supply agreement, in March, 2019, the Purchasers collectively provided a secured loan to the Purchaser of $500,000 secured by equipment, repayable in the form of a future supply of hemp. The Company funded its one-third share of the purchase in the amount of $166,667.

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 (2018 - $1,234,251). Other than some initial licensing fees received, 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.

PRODUCTS

The Company has developed the formulation and prototype for its first product, the Extended Release Tablet ("XR Tablet"), which delivers standardized medical cannabis extract from selective strains in a solid, extended release pharmaceutical dosage. The XR Tablet is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems, including, but not limited to, accuracy of dosing, onset times, duration of action, bioavailability, ease of spoilage, and the reduction of side effects. The Company is rapidly moving toward the commercialization phase and gearing up for its first series of pre-clinical trials. The Company plans to manufacture and distribute the XR Tablet in legal medical cannabis jurisdictions including Canada, select states within the United States, Australia, and Germany.

As part of its overall business plan and strategy, the Company will continue to seek Health Canada approval for its formulations of cannabinoid medications. The Company has plans to apply to Health Canada to add the XR Tablet to the approved list under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The XR Tablets use pharmaceutical grade excipients, all approved by Health Canada, and, in order to facilitate the approval process, the Company intends to present to Health Canada the similarities of the XR Tablet to existing room temperature oils inside gel capsules which have been approved under the ACMPR.

The Company also plans to apply for a Health Canada Dealer's License ("Dealer's License") under the Controlled Drugs and Substances Act (the "CDSA") in the very near future. A Dealer's License will enable the Company to have cannabis in its possession and to engage in various research and development activities not currently covered under the ACMPR, subject to obtaining any additional licenses or permits. FV Pharma has agreed to assist the Company with its application to Health Canada.

INTELLECTUAL PROPERTY

The success of the Company's business depends in part on its ability to protect its technology and formulations related to pharmaceutical preparations containing natural or synthetic cannabinoids. In recognition of this, the Company continues to expand its intellectual property portfolio, which includes patent and trademark applications in the United States and Canada. The Company's intellectual property portfolio includes 4 patents as well as 13 patent applications in Canada, the United States and internationally.

The Canadian patents/patent applications that were filed pertain to a variety of Canntab's innovative technologies related to oral dosage formulations of pharmaceutical cannabis, including Sustained Release Cannabinoid Formulations and Sustained Release Cannabinoid Pellets, Immediate Release Cannabidiol Formulations; Modified-Release Multi-Layer Cannabinoid Formulations; Flash-Melt Cannabinoid Formulations; and Bi-layer Cannabinoid Tablets.

These patent applications are part of Canntab's continuing strategy to develop a comprehensive intellectual property portfolio which covers the company's technology and formulations related to pharmaceutical preparations which contain natural or synthetic cannabinoids. Canntab is currently developing a number of products which utilize this technology, including a variety of extended released tablets containing a mixture of THC (Tetrahydrocannabinol) and CBD (Cannabidiol) that may be helpful in the treatment of a number of ailments, such as sleep disorders, post-traumatic stress disorder (PTSD), social anxiety, addiction, arthritis, general pain, pain management and appetite loss associated with cancer treatments, and addiction treatment therapy of opioids and other painkillers.

In addition to patents, the Company also has 10 trademark applications in the United States and Canada that cover four potential trade names for the XR Tablet.

MANUFACTURING AND DISTRIBUTION AGREEMENTS

Exactus Inc.

See discussion under "Recent Events"

FSD Pharma Inc.

On September 18, 2018, the Company announced that it has entered into a definitive collaboration and profit sharing agreement (the "Agreement") with FSD Pharma Inc. (CSE: HUGE) ("FSD Pharma"), which, through its wholly-owned subsidiary, FV Pharma Inc., is a licensed producer pursuant to the 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 has started to 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, not through channels established by FSD.

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. The parties will now 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 contributions to the proposed joint venture have been agreed to:

- Labsco shall be responsible for funding and obtaining any and all regulatory, licensing and 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.

Queensland Bauxite Ltd.

On December 27, 2017, the Company entered into a joint venture agreement (the "Joint Venture Agreement") with Queensland Bauxite Ltd. ("ASX:QBL") and its wholly owned subsidiary, Vitacan Pty Ltd. ("Vitacan"). Under the Joint Venture Agreement, the parties will manufacture, distribute and sell the Company's proprietary products, including its XR Tablet, in Australia, with the possibility for expansion into other territories in Asia. Vitacan has agreed to contribute the first USD $1,000,000 of capital required by the joint venture. Vitacan may also, in due course, import tablets from Canntab manufactured at either Canntab's Markham or FSD facility. To date, no transactions have occurred under the Joint Venture Agreement.

Emblem Corp.

On October 3, 2017, the Company entered into an exclusive marketing and sale license agreement (the "Emblem Agreement") with Emblem Corp., a Licensed Producer (the "Licensed Producer") for the Canadian market (the "License Agreement"). In June, 2019, the Company sent notice of formal termination of the Company's obligations pursuant to the License Agreement for reasons of non-performance, namely the failure of Emblem to take any affirmative steps to fulfill its obligations under the Emblem Agreement, primarily the failure of Emblem in having the Canntab products, which were the subject matter of the agreement, approved by Health Canada, causing significant financial loss to the Company and materially delaying its business plans and goals.

QUARTERLY PERFORMANCE

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

	Nov-2019 2020 Q2 $	Aug-2019 2020 Q1 $	May-2019 2019 Q4 $	Feb-2019 2019 Q3 $	Nov-2018 2019 Q2 $	Aug-2018 2019 Q1 $	May-2018 2018 Q4 $	Feb-2018 2018 Q3 $
Balance sheet								
Cash and cash equivalents and short term investment	182,844	612,564	1,588,978	2,428,193	3,060,587	3,495,747	4,217,850	237,412
Working capital	34,770	571,040	1,671,879	2,492,139	3,139,959	3,613,214	4,149,959	217,321
Shareholders' equity	1,278,896	1,852,652	2,267,856	2,690,345	3,317,951	3,882,748	4,302,165	291,146
Income statement								
Licensing revenue	-	133,334	184,999	22,500	22,500	10,000	12,778	8,334
Operating expenses	521,368	500,005	588,651	635,926	601,101	433,113	594,463	290,216
Share based compensation	49,346	24,673	125,841	48,388	200,700	27,440	319,938	-
Listing costs	-	-	-	-	-	-	742,601	-
Net loss and comprehensive loss	(623,102)	(439,877)	(548,330)	(675,994)	(787,397)	(446,856)	(1,661,006)	(288,478)

RESULTS OF OPERATIONS

Six month period ended November 30, 2019 compared to November 30, 2018

The Company had a net loss of $1,062,980 for 2020 Q2 YTD compared to $1,234,251 for 2019 Q2 YTD.

As the Company is in its early stages, it does not have any recurring revenue streams. During the three months ended August 31, 2019, the Company recognized as revenue the remainder of the balance in contract liability of $133,334 following the cancellation on June 24, 2019 of the agreement with Aleafia Health Inc., parent company of Emblem Corp., for non performance.

As the Company has become more active operationally, it has maintained its level of operating expenses in 2020 Q2 YTD at $1,021,374 compared to 2019 Q2 YTD of $1,034,212), a slight decrease of $12,838. The major components of the operating expenses are as follows:

- Employee compensation and benefits in 2020 Q2 YTD were $394,909 compared to $269,034 in 2019 Q2 YTD, an increase of $125,875 as certain consultants have converted to full-time employment and more staff have been hired for traditional administrative roles as well as managing start-up processes (with respect to marketing, product development, clinical trials, commercial production, etc.).
- Consulting fees in 2020 Q2 YTD of $248,329 were relatively consistent compared to $227,215 in 2019 Q2 YTD, as consultants were continued to be engaged for the start-up processes noted above.

- Investor relations, marketing and regulatory expenses in 2020 Q2 YTD were $45,076 compared to $216,534 in 2019 Q2 YTD, the decrease largely related to a reduction in costs incurred to improve market awareness by the investment community of the Company's business activities and strategy.
- Maintenance in 2020 Q2 YTD was $29,273 compared to $41,353 in 2019 Q2 YTD, the decrease resulting from prior year maintenance efforts on in-house production equipment and repair work at the Company's rental premises.
- Professional fees in 2020 Q2 YTD were consistent at $105,617 compared to $104,335 in 2019 Q2 YTD, a slight increase of $1,282.
- General and administrative expenses in 2020 Q2 YTD of $125,684 compared to $65,117 in 2019 Q2 YTD, an increase of $60,567, resulting from higher travel costs, higher insurance costs and interest expense on the right-of-use lease liability.
- Research and development in 2020 Q2 YTD of $72,486 compared to $50,624 in 2019 Q2 YTD, mostly due to increased R&D activity in advance of applying for the Health Canada producer license.
- Share based compensation totalled $74,019 in 2020 Q2 YTD compared to $228,140 in 2019 Q2 YTD, entirely related to the portion of the options and special warrants granted in 2020 Q2 YTD that vested in the period

LIQUIDITY AND CAPITAL RESOURCES

The Company has not begun commercial sales of any of its products and accordingly, does not generate cash from operations. The Company finances its operating expenses, product development and research activities by raising capital from equity markets.

Working capital as at November 30, 2019 was a deficiency of $34,771 compared to a surplus of $1,671,880 as at May 31, 2019. Cash and cash equivalents and the short term investment decreased by $1,406,134 to $182,844 as at November 30, 2019 from $1,588,978 as at May 31, 2019. The major components of the decrease were (i) operating expenses of $1,021,374 (2019 Q2 YTD - $1,034,212) *(see "Results of Operations" section above)*, and (ii) the purchase of plant and equipment and intangible assets in the amount of $693,135 in 2020 Q2 YTD (2019 Q2 YTD - $179,421).

Accounts receivable is comprised mostly of recoverable HST ITC's. The Company received HST ITC refunds of $179,421 in September, 2019. The remaining balance of $58,807 represents the quarterly filing for the quarterly period ended August 31, 2019.

As at November 30, 2019, the Company had advanced $166,667 to a supplier *(see "Supplier Agreements" section above)*, unchanged from the May 31, 2019 year-end balance.

Additions to plant and equipment in 2020 Q2 YTD totalled $614,106, consisting mostly of equipment purchases of $216,067 and construction in progress of $395,949 at the Company's head office.

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, 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. The lease liability as at November 30, 2019 amounts to $319,911 after payments of $60,000 made during the six months ended November 30, 2019. Of these payments, $16,765 have been recognized as interest expense.

Accounts payable as at November 30, 2019 increased $142,764 compared to May 31, 2019 as management deferred payment to certain suppliers pending arrangement of any future financing.

CAPITALIZATION

The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	January 28, 2020	November 30, 2019	May 31, 2019	Change in reporting period
Common shares	25,306,601	25,306,601	25,306,601	-
Stock options	2,130,000	2,130,000	2,110,000	20,000
Special warrants	2,062,500	1,462,500	1,462,500	-
Broker compensation warrants	328,644	328,644	328,644	-
Total equity instruments	29,827,745	29,227,745	29,207,745	20,000

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.

On December 23, 2019, the Company granted an aggregate of 500,000 special warrants to an external consultant, each entitling the holder thereof to purchase one common share of the Company at a price of $1.00 per share. The warrants vest over a period of three years.

RELATED PARTY TRANSACTIONS AND BALANCES

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 2020 Q2 YTD (2019 Q2 YTD - $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 2020 Q2 YTD (2019 Q2 YTD - $13,600). As at November 30, 2019, accounts payable and accrued liabilities included $11,300 (May 31, 2019 - $11,300) owing to this entity.

(b) Under the terms of a consulting contract effective January, 2017, fees of $Nil were recorded during 2020 Q2 YTD (2019 Q2 YTD - $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 2020 Q2 YTD totalled $75,000 (2019 Q2 YTD - $40,000)

(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 2020 Q2 YTD, the Company made payments of $60,000 which were applied against the operating lease now capitalized under IFRS 16. During 2019 Q2 YTD, 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 2020 Q2 YTD from a law firm of which a director is a partner totalled $Nil (2019 Q2 YTD - $22,681). As at November 30, 2019, accounts payable and accrued liabilities included $Nil (May 31, 2019 - $15,676) owing to this entity.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

IFRS 16 "Leases" was issued by the IASB in January 2016, replacing 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 eliminates the distinction between operating and finance leases.

Lessees recognize a right-to-use asset representing its control of and right to use the underlying asset and lease liability representing its obligation to make future lease payments. The Company leases its office premises under an operating lease. As a lessee, the Company will recognize right-of-use assets and lease liabilities for its operating lease. The depreciation expense on right-to-use assets and interest expense on lease liabilities will replace rent expense, previously recognized on a straight-line basis under IAS 17 over the term of a lease. IFRS 16 is effective for annual periods beginning after January 1, 2019. The Company is adopting the standard on June 1, 2019 using the modified retrospective approach, which requires the cumulative effects of the initial application to be recorded in opening retained earnings as at May 31, 2019, and no restatement of the comparative period. Under the modified retrospective approach, the corporation chooses to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to develop its resources properties so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

RISKS AND UNCERTAINTIES

An investment in the Company involves significant risks and must be considered speculative due to the nature of the Company's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect its business.

Risks related to the Company's business

The Company has a history of operating losses and may never achieve profitability. The Company is an early stage product development company, and accordingly, it has not yet generated any revenues.

The Company expects to be involved in research and development to create several oral cannabis products and then performing extensive trial testing and conducting research studies with such products prior to determining their commercial viability. This process may take several years and require significant financial resources without revenue. The Company expects these expenses to result in continuing operating losses for the foreseeable future.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Company's business, financial condition and results of operations.

Protection of patents and trademarks

The Company's success will depend in part upon its ability to obtain maintain current patents and trademarks (as well as successfully file future patents and trademarks) for its current and future product lines. Obtaining such patent and trademark protection can be costly and the outcome of any application for such can be unpredictable. In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent and trademark protection, thereby affecting the development and commercial value of the Company's technology and products.

Regulatory proceedings, investigations and audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require The Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Insurance and uninsurable risk

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on our financial position. The Company currently maintains no insurance other than director and officer liability insurance. The Company may, however, acquire insurance in the future to protect against certain risks in such amounts as management considers reasonable. While it may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. Even after acquiring insurance, such insurance may not cover all the potential risks associated with product liability. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Product liability

As a cannabis oral dosage formulation company engaged in the research and development of advanced pharmaceutical grade formulations of cannabinoids designed to be ingested by humans, the Company, upon commercial launch, faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. This scenario could prevent or inhibit the commercialization of the Company's potential products. To date, there have been no product related issues.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be decided against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand. At this time, there is no outstanding litigation against the Company.

Competition

The medical cannabis industry in which the Company operates is, and is expected to continue to be, very competitive, and as such there is there is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Our competitors may vary in size, from well capitalized businesses with substantial operations and revenues to smaller and earlier stage companies. Competitors with ACMPR licenses, or that may obtain ACMPR licenses sooner than the Company, may also be able to devote greater resources to develop and market competing products and establish broad customer bases sooner than the Company.

Conflicts of interest

The Company's directors and officers may currently be involved, or become involved, in other business ventures that could compete with its products and services. Business opportunities for the Company may create circumstances in which outside interests of directors and officers conflict with the interests of the Company. Directors and officers are required to act in good faith and in a manner that benefits the Company.

It is possible, however, that directors and officers may owe similar consideration to another organization(s). If these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company, the Company will take the necessary steps to protect its interests.

Dependence on key personnel

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

Financial liquidity

The Company has not yet generated meaningful revenue and will likely operate at a loss until its first product gets to market. It may require additional financing in order to execute its business plan. Its ability to secure required financing will depend in part upon on investor perception of the ability to create a successful business. Capital market conditions and other factors beyond the Company's control may also play important roles in its ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts felt required, or unavailable on acceptable terms, the Company may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

Costs of maintaining a public listing

As a result of obtaining a public listing, the Company will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the existing shareholders.

Financial market turmoil

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability and a dampening in business and household spending.

Dividends

No dividends on the common shares have been paid by the Company to date. The Company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Company's Board of Directors after considering account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

Share price volatility and speculative nature of share ownership

The Company is listed for trading on the CSE, resulting in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Company may significantly influence the price at which shares trade, and the volatility of the share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of our shares.

Sentiment toward cannabis stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Company's shares. The Company is a relatively young company that is not generating revenue and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Company's shares.

Risks relating to the Company's common stock

A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations. A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations.

Limited operating history

The Company has not generated significant profits or revenues in the periods covered by its most recent financial statements, and as a result, has only a very limited operating history upon which its business and future prospects may be evaluated. The Company is therefore subject to many of the risks common to early-stage enterprises, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that The Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Lack of operational liquidity

The expenses of the Company will be funded from cash on hand from the remaining proceeds of the previous offerings. Once such cash has been expended, the Company will be required to seek additional financing. There is no guarantee that any debt or additional equity or equity related offering of securities will be available on terms acceptable to the Company or available at all or that it will be able to locate or sell mineral resources in a timely or profitable manner.