CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

YEARS ENDED MAY 31, 2020 AND 2019

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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 years ended May 31, 2020 and May 31, 2019 ("FY2020 and "FY2019" respectively). This discussion is prepared as of September 28, 2020 and should be read in conjunction with the consolidated financial statements and the accompanying notes for the years ended May 31, 2020 and 2019. 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. The Company, with its head office located at 223 Riviera Drive, Markham, Ontario, L3R 5J6, is a Canadian biopharmaceutical company focused on the manufacturing and distribution of a suite of hard pill cannabinoid formulations in multiple doses and timed-release combinations. Canntab's proprietary hard pill cannabinoid formulations provide doctors, patients and consumers with medical grade solutions which incorporate all the features one would expect from any prescription or over the counter medication sold in Canadian pharmacies, including once a day and extended release formulations, both providing an accurate dose and improved shelf stability.

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".

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

- Pursuant to a filing made in March 2017, the U.S. Patent and Trademark Office has issued U.S. Patent No. 10,772,837 to Canntab, titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations. The term of the patent expires on March 15, 2038.
- Entered into its first purchase agreement with MediPharm Labs ("MediPharm"), a global leader in pharma quality cannabinoid based products
- Appointed Larry Latowsky, former CEO of Katz Group Canada and its flagship holding Rexall, as CEO.
- Obtained Cannabis Standard Processing and Sales for Medical Purposes Licence, a Cannabis Research Licence and an Industrial Hemp Licence from Health Canada.
- Closed its private placement on March 12, 2020 under which 7,451,000 units have been issued for gross proceeds of $3,725,500.

RECENT EVENTS

Issuance of US Patent

On September 21, 2020, the Company announced that, pursuant to a filing made in March 2017, the U.S. Patent and Trademark Office has issued U.S. Patent No. 10,772,837 to Canntab, titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations". The term of the patent expires on March 15, 2038. The Company considers this a major milestone that confirms its proprietary formulations are unique and differentiated from other product offerings in the global marketplace which will support a faster revenue stream as production and distribution begin in the immediate future. The patent is the first patent out of the various other patents that the Company has applied for, and will be leveraged to solidify Canntab's position as the leader in solid dose (hard pill) formulations of medicinal cannabinoids.

The patent granted is for Canntab's bi-layer or multi- layer tablets consisting of both Instant Release ("IR") and Extended Release ("XR") formulations with THC, CBD and a variety of terpenes and other cannabinoids found in full spectrum cannabis and hemp oil resin. The Company believes that its hard pill formulations are superior to all other CBD and THC delivery systems since they are true pharmaceutical grade delivery systems which provide for superior ingredient stability, enhanced bioavailability, and provide customizable and precise dosing. Canntab believes and intends to prove greater bioavailability through a blood level study at a 3rd party Clinical Research Organization ("CRO"). In addition, whether it is for medical, recreational or nutraceutical purposes, Canntab is able to provide extended release formulations making it the clear delivery choice for doctors, patients or the average consumer.

Purchase Agreement With MediPharm Labs

On June 2, 2020, Canntab announced that it is beginning production of its instant release tablets and has already entered into its first purchase agreement with MediPharm Labs ("MediPharm"), a global leader in pharma quality cannabinoid based products. The value of which is expected to exceed $1 million, but will depend on the final concentrations of Canntab's instant release tablets chosen by MediPharm. Orders under the agreement will be composed of a mix of Canntab's proprietary instant release tablets delivering THC, CBD and a combination of THC/CBD in 12 different strengths. MediPharm will purchase and distribute cannabis products on a non-exclusive basis across Canada, through licensed provincial dispensaries.

Asset Purchases

On August 21, 2020, the Company announced that it had entered into a binding asset purchase agreement to acquire certain cannabis-processing equipment and leasehold improvements located at its 223 Riviera Drive, Markham, Ontario facility from CMAX Technologies Inc. ("CMAX"), a related party to the Company (as three of the Company's four directors also officers, directors and/or shareholders of CMAX) for a purchase price of $1,018,000. The purchase price was based upon third-party valuations, and will be satisfied through the issuance of 1,996,078 common shares of the Company at a deemed price of $0.51 per share. On July 15, 2020, 200,000 common shares were issued to CMAX as a deposit on this transaction.

Concurrently, the Company entered into a binding asset purchase agreement with Pharmagenerics Solutions Inc. ("Pharma") to purchase cannabis-processing equipment owned by Pharma for a purchase price of $300,000. The Pharma purchase is considered a related party transaction as the sole officer, director and shareholder of Pharma is the Chief Scientific Officer of the Company.. The purchase price of the Pharma assets will be satisfied through the issuance of 588,235 common shares of the Company at a deemed price of $0.51 per share.

The closing of these acquisitions is subject to customary closing conditions contained in transactions of this nature.

Appointment of Larry Latowsky as CEO

As it pivots from development to manufacturing, marketing and distribution, the Company announced on August 19, 2020 that it had appointed Mr. Latowsky as CEO to lead the Company's commercialization strategy with greater emphasis on distribution channels around the world. He 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 conjunction with the appointment, Mr. Latowsky was granted 500,000 special warrants to purchase common shares at a price of $0.60 per share until March 4, 2025.

Private Placement Closed for Aggregate Proceeds of $3.7M

On March 12, 2020, the Company completed a private placement by issuing 7,451,000 units at a price of $0.50 for aggregate proceeds of $3,725,500. The closing was settled through receipt of $3,643,500 in cash and $82,000 of units issued in exchange of services provided. Each unit consisted of one common share and one full warrant to acquire an additional common share at a price of $0.75 per share for a period of 24 months. A total of 470,190 broker compensation warrants valued at $109,796 were deducted from share capital. Share issue costs of $272,122 were incurred related to the private placement, including commissions and legal fees.

With the net cash proceeds from this financing, management now feels it has the capital to completely implement the Company's business plan. The raising of significant equity during these extraordinary market conditions coupled with the inherent recent challenges in the cannabis space in particular is felt to be a testament to the level of interest which exists in the future of Canntab.

Cancellation of Previous Options and Warrants and Issuance of New Warrants

On March 3, 2020, the Board of Directors passed a resolution to issue 1,285,000 special warrants to employees, advisors and consultants of the Company to purchase common shares of the Company. Each special warrant entitles the holder to acquire one common share at a price of $0.60 until March 4, 2025. Of the 1,285,000 special warrants being issued, (i) 585,000 are to replace existing stock options, (ii) 300,000 are to replace existing special warrants, and (iii) 400,000 are being issued as an incentive to certain employees, advisors and consultants of the Company.

Health Canada Licenses

Canntab now holds a Cannabis Standard Processing and Sales for Medical Purposes Licence, a Cannabis Research Licence and an Industrial Hemp Licence from Health Canada, and is now pursuing production at its Markham facility.

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.

COVID-19 PANDEMIC

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business, resulting in a global economic slowdown. Equity markets have experienced significant volatility and weakness and the governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The ultimate duration and magnitude of the impact and the efficacy of government and Bank of Canada interventions on the economy and the financial effect on the Company is not known at this time. The extent of such impact will depend on future developments, which are highly uncertain and not in the Company's control, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken to address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

The Company has been deemed an "essential service" by the Ontario government, and therefore is permitted to continue full operations. In response to COVID-19, the Company has implemented working practices to address potential impacts to its operations, employees and customers, and will take further measures in the future if and as required. At present, the Company has not identified any material continuity-risks specifically associated with COVID-19.

GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future, convert its sales orders into revenue, realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements 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 consolidated financial statements. Such adjustments could be material.

As at May 31, 2020, the Company had an accumulated deficit of $8,590,487 (May 31, 2019 - $5,983,243). Working capital as at May 31, 2020 was $2,069,009 compared to $1,671,880 as at May 31, 2019. For the year ended May 31, 2020, net loss and comprehensive loss was $2,607,244 (2019 - $2,458,578), and the Company had no sources of cash flow. 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, the Company has, during its start-up phase, made significant capital and operational investments from the funds raised from its initial seed capital, the go-public process and the closing of the private placement in March, 2020. These funds have been used to build out the legal and operating infrastructure, the intellectual property portfolio and to obtain the production and dales licences necessary to capitalize on the opportunities within the cannabis marketplace in Canada and internationally.

Though the Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs, there is uncertainty as to how long these funds will last. The Company believes that, based on its revenue forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, if required, it could continue as a going concern for the foreseeable future. To achieve that, the Company will need to (i) develop its marketing opportunities into revenue generating transactions, and (ii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base. Management is actively working on the delivery of its products on an existing purchase order which will generate the Company's first sales revenue, but timing is still uncertain. Management is also reviewing financing options to raise the funds required to continue its strategy of expanding its product line, manufacturing facilities, research and development and geographic coverage, but there can be no assurance that management's fund raising 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.

Canntab holds a Cannabis Standard Processing and Sales for Medical Purposes Licence, a Cannabis Research Licence and an Industrial Hemp Licence from Health Canada. 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.

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. On September 21, 2020, the Company announced it had been awarded a US patent titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations" *(see discussion under "Recent Events" section above)*. The Company's intellectual property portfolio includes numerous 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 numerous trademark applications in the United States and Canada that cover four potential trade names for the XR Tablet.

SELECT FINANCIAL INFORMATION

	Years ended May 31		
	2020	2019	2018
	$	$	$
Cash and cash equivalents and short-term investment	**2,090,438**	1,588,978	4,217,850
Working capital	**2,069,009**	1,671,880	4,149,961
Shareholders' equity	**3,528,742**	2,267,857	4,302,166
Revenue	**133,334**	239,999	26,667
Operating expenses	**2,038,672**	2,258,791	1,336,070
Net loss and comprehensive loss	**(2,607,244)**	(2,458,578)	(2,408,413)
Loss per share	**(0.10)**	(0.10)	(0.11)

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".

	May-2020 2020 Q4	Feb-2020 2020 Q3	Nov-2019 2020 Q2	Aug-2019 2020 Q1	May-2019 2019 Q4	Feb-2019 2019 Q3	Nov-2018 2019 Q2	Aug-2018 2019 Q1
	$	$	$	$	$	$	$	$
Balance sheet								
Cash and cash equivalents and short term investment	2,090,438	1,496,723	182,844	612,564	1,588,978	2,428,193	3,060,587	3,495,747
Working capital	2,069,009	2,348,962	34,770	737,707	1,671,880	2,492,137	3,139,959	3,613,214
Shareholders' equity	3,528,742	3,585,731	1,278,896	1,852,652	2,267,857	2,690,343	3,317,951	3,882,748
Income statement								
Licensing revenue	-	-	-	133,334	184,999	22,500	22,500	10,000
Operating expenses	449,390	567,910	521,368	500,005	588,648	635,928	601,101	433,113
Share based compensation	294,731	46,001	49,346	24,673	125,841	48,388	200,700	27,440
Net loss and comprehensive loss	(873,359)	(670,906)	(623,102)	(439,877)	(548,329)	(675,996)	(787,397)	(446,856)

RESULTS OF OPERATIONS

Year ended May 31, 2020 compared to May 31, 2019

The Company had a net loss of $2,607,244 for FY2020 compared to $2,458,578 for FY2019.

The Company does not have any currently recurring revenue streams. During FY2020, the Company recognized as revenue the remainder of the balance in contract liability of $133,334 following the termination 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 FY2020 at $2,038,672 compared to FY2019 of $2,258,791, a decrease of $220,119. The major components of the operating expenses (defined as total expenses less share based compensation, depreciation and amortization) are as follows:

- Employee compensation and benefits in FY2020 were $757,773 compared to $620,930 in FY2019, an increase of $136,843 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 FY2020 of $574,598 were relatively consistent compared to $509,447 in FY2019, an increase of $65,151, as consultants were continued to be engaged for the start-up processes noted above.

- Investor relations, marketing and regulatory expenses in FY2020 were $168,507 compared to $423,183 in FY2019, a decrease of $254,676, largely attributable to a reduction in investor relation costs and expenses incurred to promote market awareness by the investment community.
- Professional fees in FY2020 remained consistent at $198,596 compared to $199,824 in FY2019.
- Occupancy costs declined from $120,000 in FY2019 to $3,125 in FY2020 as a result of capitalization of that lease liability under IFRS. The corresponding costs are now accounted for as depreciation expense on right-of-use assets and interest expense on lease liabilities.
- General and administrative expenses in FY2020 of $221,772 compared to $160,878 in FY2019, an increase of $60,894, resulting from higher costs for travel, insurance and interest expense on right-of-use lease liabilities.

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.

Cash and cash equivalents and the short term investment increased by $501,460 to $2,090,438 as at May 31, 2020 from $1,588,978 as at May 31, 2019. Working capital as at May 31, 2020 was $2,069,009 compared $1,671,880 as at May 31, 2019, an increase of $397,129. The major components of this change were the net of the following major transaction flows, which total $592,697:

(1) cash proceeds of the private placement of $3,643,500 that closed in March, 2020 *(see discussion below under "Capitalization")*, less expenditures related to,
(2) operating expenses in FY2020 of $2,038,672 *(see "Results of Operations" section above)*, and
(3) the purchase of plant and equipment and intangible assets in FY2020 for $1,012,131.

Accounts receivable is comprised mostly of recoverable HST ITC's, representing amounts due for quarterly filings for February, 2020 and May, 2020.

Prior to commencement of commercial production in FY2021, the Company acquired its initial inventory for commercial purposes in the form of raw materials totalling $905,765. As of May 31, 2020, inventory does not contain any work-in-progress or finished goods.

As at May 31, 2020, 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 FY2020 totalled $911,377, consisting mostly of production equipment purchases of $327,645, security system installation costs of $365,375, and completion of leasehold renovations at the Company's head office totalling $200,847.

Accounts payable as at May 31, 2020 increased by $1,061,659 to $1,253,953, compared to $192,294 at May 31, 2019. The major reason for the increase related almost entirely to the purchase of inventory around the year-end date.

As a result of the Company entering into two separate occupancy leases during the year, the Company recognized lease liabilities under IFRS 16 of $771,579 measured at the present value of lease payments, discounted using the Company's borrowing rate of 10%. The associated right-of-use assets were measured at the lease liability amount. The leases entered into were as follows: (a) a lease at 223 Riviera Drive, Markham, Ontario with CMAX Technologies Inc., a related company, with a monthly payment of $10,000 until expiry by December 31, 2022, and (b) a lease at 225 Riviera Drive, Markham, Ontario with an arm's length company with base rent ranging from $8,958 to $9,583 per month over the five year lease term ending April 30, 2025.

CAPITALIZATION

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

	May 31, 2020	May 31, 2019	Change in reporting period
Common shares	32,757,601	25,306,601	7,451,000
Common share purchase warrants	7,451,000	-	7,451,000
Stock options	1,495,000	2,110,000	(615,000)
Special warrants	2,847,500	1,462,500	1,385,000
Broker compensation warrants	470,190	328,644	141,546
Total equity instruments	45,021,291	29,207,745	15,813,546

The details of the major changes in each equity category over FY2020 are as follows:

Common shares

- On March 12, 2020, the Company completed a private placement by issuing 7,287,000 units at a price of $0.50 for cash proceeds of $3,643,500. Each unit consisted of one common share and one full warrant to acquire an additional common share at a price of $0.75 per share for a period of 24 months. In addition, the Company issued 164,000 units valued at $82,000 in exchange of services provided. In total, 7,451,000 common share purchase warrants were issued.

Stock options

- On March 3, 2020, the Board of Directors approved an option exchange under which 585,000 previously issued stock options were terminated in exchange for 585,000 special warrants *(see description below under "Special warrants").* The terminated options had exercise prices ranging from $1.00 to $1.22 with expiry dates ranging from April 18, 2021 to July 31, 2022.
- During the year, 50,000 options expired unexercised on the departure of the option holders from the Company.

Special warrants

- On extension of its contract on January 24, 2019, Mackie Research Capital was issued 100,000 special warrants. Based on a trading price threshold that was not within six months of issuance, these warrants were cancelled in July, 2020.
- On December 23, 2019, the Company granted 500,000 special warrants to an external consultant. Each special warrant entitled the holder thereof to purchase one common share of the Company at a price of $1.00 per share. On March 4, 2020, the Company cancelled the 500,000 special warrants described above and issued 500,000 replacement special warrants. Each special warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.60 per share expiring in 5 years, and vest as to 100,000 immediately, 200,000 on the first anniversary of the grant, and 100,000 on each of second and third anniversaries.
- On March 3, 2020, the Company issued 585,000 special warrants to replace 585,000 previously issued stock options *(see description above under "Stock options")*. The special warrants issued in exchange are exercisable for 5 years from date of issuance to purchase one common share at a price of $0.60.
- On March 3, 2020, the Company granted 400,000 special warrants to employees and external consultants. Each special warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.60 per share expiring in 5 years.

Broker compensation warrants

- On the closing of the private placement in March, 2020, the Company issued 470,190 broker compensation warrants that are exercisable at prices from $0.50 to $0.75 each, expire in 2 years and vested fully on issuance.
- On April 16, 2020, 328,644 broker compensation warrants from a placement completed in April, 2018 expired unexercised.

RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended May 31, 2020 and 2019, the Company had the following related party transactions:

(a) Under the terms of a consulting contract effective January, 2017, fees of $120,000 were recorded during the year ended May 31, 2020 (2019 - $120,000) by an entity controlled by an individual who is both an officer and director of the Company for his services as CFO. The Company recognized car allowances credited to this individual of $9,600 during the year ended May 31, 2020 (2019 - $18,400).

(b) Under the terms of a consulting contract effective January, 2017, fees of $92,500 were recorded during the year ended May 31, 2020 (2019 - $20,000) by an entity controlled by an individual who is both an officer and director of the Company for his services as CEO. Salary paid to this individual during the year ended May 31, 2020 totalled $62,500 (2019 - $122,500). The Company recognized car allowances credited to this individual of $10,216 during the year ended May 31, 2020 (2019 - $18,400).

(c) The Company is related to CMAX Technologies Inc. by virtue of common control. The Company entered into a lease renewal agreement with CMAX for the premises at 223 Riviera Drive, Markham, Ontario. During the year ended May 31, 2020, the Company made payments of $120,000 which were applied against the operating lease now capitalized under IFRS 16. During the year ended May 31, 2019, rent of $120,000 was paid to CMAX.

(d) Legal fees recorded during the year ended May 31, 2020 from law firms of which a director is a partner totalled $76,002 (2019 - $87,134).

(e) During the year ended May 31, 2020, an entity that is a related party to an officer and director received financing compensation from the Company in connection with the private placement that closed in March, 2020 as follows: 153,222 broker compensation warrants were granted, for which the fair value was $38,045. Total cash payments of $80,111 were also made with respect to commissions.

(f) Included in the private placement that closed in March, 2020 are subscriptions from related parties for 610,000 units at $0.50 per unit for cash proceeds of $305,000.

(g) Accounts payable and accrued liabilities as at May 31, 2020 includes $84,490 (2019 - $32,856) with respect to balances owing to related parties for the transactions disclosed above.

SUBSEQUENT EVENTS

(a) In August, 2020, the Company agreed to a binding asset purchase agreement to acquire certain cannabis-processing equipment and leasehold improvements located at its 223 Riviera Drive, Markham, Ontario facility from CMAX Technologies Inc. ("CMAX"), a related party to the Company, for a purchase price of $1,018,000. The purchase price of the CMAX assets was based upon third-party valuations ordered by Canntab, and will be satisfied through the issuance of 1,996,078 common shares of the Company at a deemed price of $0.51 per share. On July 15, 2020, 200,000 common shares were issued to CMAX as a deposit on this transaction.

The CMAX purchase is considered a related party transaction as three of the Company's four directors also officers, directors and/or shareholders of CMAX. The CMAX purchase has been approved by the independent director of the Company. The closing of the acquisition is subject to customary closing conditions contained in transactions of this nature, and is dependent upon approval by CMAX shareholders.

(b) In August, 2020, the Company entered into a binding asset purchase agreement with Pharmagenerics Solutions Inc. ("Phama") to purchase cannabis-processing equipment owned by Pharma for a purchase price of $300,000. The purchase price of the Pharma assets will be satisfied through the issuance of 588,235 common shares of the Company at a deemed price of $0.51 per share. The Pharma purchase is considered a related party transaction as the sole officer, director and shareholder of Pharma is the Chief Scientific Officer of the Company. The closing of the acquisition is subject to customary closing conditions contained in transactions of this nature.

(c) On September 21, 2020, the Company announced that, pursuant to a filing made in March 2017, the U.S. Patent and Trademark Office has issued U.S. Patent No. 10,772,837 to Canntab, titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations *(see discussion above in "Recent Events" section)*.

(d) On July 13, 2020, the Company granted 275,000 options to employees and a director Each option entitles the holder thereof to purchase one common share of the Company at a price of $0.80 per share expiring in 2 years, and vesting immediately.

(e) On July 15, 2020, 109,523 shares were issued on the exercise of brokers compensation warrants initially issued as part of the private placement that closed in March, 2020.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which supersedes IAS 17 Leases, as well as several interpretations of 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 right-of-use ("ROU") assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company adopted IFRS 16 in its consolidated financial statements for the period beginning June 1, 2019, using the modified retrospective approach under which the cumulative effect of initial application, if any, is recognized in retained earnings at June 1, 2019. There were no long-term leases as of June 1, 2019 such that there was no initial recognition of ROU assets and lease liabilities on transition to IFRS 16.

IFRIC 23 "Uncertainty Over Income Tax Treatments"

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IFRS 3 "Business Combinations"

This standard has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributions to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020.The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IAS 16 "Property, Plant and Equipment"

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and requires certain related disclosures. The amendments are effective for annual periods beginning on or after January l, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

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.