CANNTAB THERAPEUTICS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021

(Stated in $CAD)

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's external auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2022 AND MAY 31, 2021
(Stated in $CAD)
(Unaudited - Prepared by Management)

	February 28 2022	May 31 2021
ASSETS		
Current:		
Cash and cash equivalents (Note 5)	**$ 1,501,215**	$ 1,490,863
Accounts receivable (Note 6)	**199,253**	207,363
Inventories (Note 7)	**1,545,147**	1,720,646
Prepaid expenses and deposits	**60,642**	95,945
	3,306,257	3,514,817
Long term:		
Plant and equipment	**1,326,841**	2,065,988
Right-of-use assets	**351,546**	490,932
Intangible assets	**304,762**	289,107
	$ 5,289,406	$ 6,360,844
LIABILITIES		
Current:		
Bank loan payable	**$ 60,000**	$ 60,000
Accounts payable and accrued liabilities (Note 8)	**953,483**	1,421,108
Current portion of lease liabilities	**177,894**	183,884
Current portion of debentures payable (Note 9(III))	**1,197,170**	-
Current portion of derivative liabilities (Note 9(III))	**374,062**	-
	2,762,609	1,664,992
Long term:		
Lease liabilities	**223,805**	353,997
Debentures payable (Note 9(III))	**909,221**	968,032
Derivative liabilities (Note 9(III))	**338,158**	1,105,065
	4,233,793	4,092,086
SHAREHOLDERS' EQUITY		
Common shares (Note 10)	**13,429,464**	11,606,235
Shares to be issued (Note 10(a))	**-**	813,750
Contributed surplus	**2,881,311**	2,859,042
Accumulated deficit	**(15,255,162)**	(13,010,269)
	1,055,613	2,268,758
	$ 5,289,406	$ 6,360,844

Going concern (Note 2(c)

Subsequent events (Note 15)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

Approved on behalf of the Board:

"Richard Goldstein" Director *"Vitor Fonseca"* Director

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
THREE AND NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021

(Stated in $CAD)

(Unaudited - Prepared by Management)

	Three months ended February 28 2022	**Nine months ended February 28 2022**	Three months ended February 28 2021	Nine months ended February 28 2021
Revenue				
Tablet sales	**$ 48,461**	**$ 253,822**	$ 465,375	$ 843,375
Cost of sales				
Change in fair value of inventory sold	**25,377**	**130,017**	290,255	576,611
Gross profit	**23,084**	**123,805**	175,120	266,764
Expenses				
Employee compensation and benefits	**185,492**	**776,590**	132,957	504,835
Professional fees	**122,044**	**342,128**	99,215	217,188
Consulting fees	**135,017**	**340,172**	91,993	429,169
Marketing and regulatory expenses	**47,247**	**180,808**	73,819	158,213
General and administrative	**49,412**	**166,404**	63,506	144,015
Research and development	**81,126**	**145,274**	(42,636)	26,877
Interest and accretion	**106,927**	**355,899**	44,975	61,207
Share based compensation	**96,110**	**372,887**	161,384	517,658
Depreciation of plant and equipment and right-of-use assets	**95,257**	**416,983**	143,923	297,119
Amortization of intangible assets	**13,825**	**29,162**	10,681	25,935
	932,457	**3,126,307**	779,817	2,382,216
Loss from operations	**(909,373)**	**(3,002,502)**	(604,697)	(2,115,452)
Other income (expenses)				
Gain on derivative liabilities (Note 9)	**527,931**	**794,505**	-	-
Interest income	**2,430**	**2,430**	-	-
Loss on disposal of assets	**(39,326)**	**(39,326)**	-	-
Net loss and comprehensive loss	**$ (418,338)**	**$ (2,244,893)**	$ (604,697)	$ (2,115,452)
Basic and diluted loss per share (Note 10(e))	**$ (0.011)**	**$ (0.060)**	$ (0.017)	$ (0.062)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
PERIOD FROM JUNE 1, 2020 TO FEBRUARY 28, 2022
(Stated in $CAD)
(Unaudited - Prepared by Management)

		Common shares		Shares to	Contributed	Accumulated	
	Note	Number	Amount	be issued	surplus	deficit	Total
As at June 1, 2020		**32,757,601**	**$ 9,843,783**	**$ -**	**$ 2,275,446**	**$ (8,590,487)**	**$ 3,528,742**
Net loss and comprehensive loss		-	-	-	-	(2,115,452)	**(2,115,452)**
Share based compensation		-	-	-	517,658	-	**517,658**
Exercise of broker warrants	**10(a)**	109,523	83,216	-	(28,455)	-	**54,761**
Shares issued on equipment purchases	**10(a)**	2,584,313	1,318,000	-	-	-	**1,318,000**
Exercise of stock options	**10(a)**	100,000	25,000	-	-	-	**25,000**
Portion of debenture proceeds attributable to equity components		-	-	-	41,782	-	**41,782**
As at February 28, 2021		**35,551,437**	**11,269,999**	**-**	**2,806,431**	**(10,705,939)**	**3,370,491**
Net loss and comprehensive loss		-	-	-	-	(2,304,330)	**(2,304,330)**
Share based compensation		-	-	-	115,116	-	**115,116**
Exercise of broker warrants		7,000	3,500	-	-	-	**3,500**
Adjustment on exercise of stock options		-	44,978	-	(44,978)	-	**-**
Exercise of share purchase warrants		380,000	287,758	-	(2,758)	-	**285,000**
Proceeds on shares to be issued		-	-	813,750	-	-	**813,750**
Issuance of broker warrants in connection with debenture offering		-	-	-	27,013	-	**27,013**
Adjustment re equity component of debenture proceeds		-	-	-	(41,782)	-	**(41,782)**
As at May 31, 2021		**35,938,437**	**11,606,235**	**813,750**	**2,859,042**	**(13,010,269)**	**2,268,758**
Net loss and comprehensive loss		-	-	-	-	(2,244,893)	**(2,244,893)**
Share based compensation		-	-	-	372,887	-	**372,887**
Exercise of share purchase warrants	**10(a)**	1,384,000	1,048,045	(813,750)	(10,045)	-	**224,250**
Exercise of stock options	**10(a)**	960,000	435,854	-	(195,854)	-	**240,000**
Exercise of special warrants	**10(a)**	412,500	209,100	-	(101,600)	-	**107,500**
Exercise of broker warrants	**10(a)**	174,222	130,230	-	(43,119)	-	**87,111**
As at February 28, 2022		**38,869,159**	**$ 13,429,464**	**$ -**	**$ 2,881,311**	**$ (15,255,162)**	**$ 1,055,613**

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CANNTAB THERAPEUTICS LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021

(Stated in $CAD)

(Unaudited - Prepared by Management)

	2022	2021
Operating activities		
Net loss and comprehensive loss	**$ (2,244,893)**	$ (2,115,452)
Add (deduct) items not affecting cash:		
Share based compensation	**372,887**	517,658
Depreciation of plant and equipment and right-of-use assets	**416,983**	297,119
Amortization of intangible assets	**29,162**	25,935
Interest accretion on debentures	**251,131**	37,668
Loss on disposal of assets	**39,326**	-
Gain on derivative liabilities	**(794,505)**	-
	(1,929,909)	(1,237,072)
Change in non-cash working capital items		
Accounts receivable	**8,110**	(797,330)
Inventories	**(67,212)**	(9,520)
Prepaid expenses and deposits	**35,303**	86,449
Accounts payable and accrued liabilities	**(113,003)**	96,384
	(2,066,711)	(1,861,089)
Investing activities		
Purchase of plant and equipment	**(30,105)**	(154,558)
Purchase of intangible assets	**(44,816)**	(64,986)
Proceeds on sale of assets	**239,484**	-
	164,563	(219,544)
Financing activities		
Proceeds from convertible debenture offering, net of transaction costs	**1,299,821**	1,390,167
Bank loan payable	**-**	20,000
Proceeds on exercise of share purchase warrants	**224,250**	-
Proceeds on exercise of stock options	**240,000**	25,000
Proceeds on exercise of special warrants	**107,500**	-
Proceeds on exercise of broker compensation warrants	**87,111**	54,761
Repayment of lease liabilities	**(46,182)**	(65,358)
	1,912,500	1,424,570
Change in cash and cash equivalents	**10,352**	(656,063)
Cash and cash equivalents, beginning of period	**1,490,863**	2,090,438
Cash and cash equivalents, end of period	**$ 1,501,215**	$ 1,434,375
Non-cash transactions:		
Shares issued on asset purchases (Note 10(a))	**$ -**	$ 1,318,000
Depreciation capitalized into inventory	**212,844**	146,359
Lease liability payments offset against accounts payable	**90,000**	40,000
Inventory pricing settlement with MediPharm (Note 4(f))	**456,440**	-
Accounts payable settled through debenture issuance	**-**	50,000
Prior year accounts payable re capital assets cancelled	**-**	(106,406)
	$ 759,284	$ 1,447,953

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

1. Nature of Operations

(a) Nature of operations

Canntab Therapeutics Limited ("Canntab" or the "Company") was incorporated on April 20, 2016 under the Canada Business Corporations Act. The Company, with its head office located at 223 Riviera Drive, Markham, Ontario, L3R 5J6, is a Canadian phytopharmaceutical 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 pharmacies around the world.

Canntab holds both a Cannabis Standard Processing and Sales for Medical Purposes Licence (recently amended and expanded to allow for direct sales to consumers) and a Cannabis Research Licence from Health Canada.

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

(b) 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.

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. To date, the business has not experienced negative consequences due to interruptions in its supply chain.

2. Basis Of Presentation

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), and accordingly do not include all the information required for full annual financial statements by International Financial Reporting Standards ("IFRS"). They have been prepared using the same accounting policies that were described in note 3 to the Company's annual consolidated financial statements for the year ended May 31, 2021 which were prepared in accordance with IFRS as issued by the IASB.

The unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on April 29, 2022.

(b) Basis of presentation

The unaudited interim condensed consolidated financial statements are prepared on a going concern basis under the historical cost convention, except for certain financial instruments that are measured at fair value. Unless otherwise stated, the unaudited interim condensed consolidated financial statements are presented in Canadian dollars. That is the Company's functional and presentation currency as (i) the Company is based in Canada, (ii) the majority of its operating costs are denominated in Canadian dollars, and (iii) all its financing is obtained through Canadian dollar private placements.

(c) Going concern

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future, continue to 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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements. Such adjustments could be material.

As at February 28, 2022, the Company had an accumulated deficit of $15,255,162 (May 31, 2021 - $13,010,269). Working capital as at February 28, 2022 was $543,648 compared to $1,849,825 as at May 31, 2021. Net loss and comprehensive loss for the nine month period ended February 28, 2022 was $2,244,893 (2021 - $2,115,452). Other than some initial licensing fees received and some recent international sales, operations since inception have been largely funded from the issuance of shares and convertible debentures, the exercise of stock options and warrants and the sale of excess equipment.

2. Basis Of Presentation, continued

As evidenced by its accumulated deficit, the Company has, during its start-up phase, made significant capital and operational investments from the funds raised. These funds have been used to build out the legal and operating infrastructure, the intellectual property portfolio and to obtain the production and sales licences necessary to capitalize on the opportunities within the cannabis marketplace in Canada and internationally.

The Company has undergone numerous recent financing initiatives as follows: (i) an initial convertible debenture offering for gross proceeds of $1,575,000 in December, 2020 *(see note 9(I))*, (ii) a second convertible debenture offering for gross proceeds of $1,312,000 in January, 2022 *(see note 9(II))*, (iii) $1,761,111 raised from exercise of share purchase warrants, stock options, special warrants and broker warrants since April, 2021 *(see note 10(a))*, and (iv) $239,000 from the sale of excess equipment. Based on the above and all other business initiatives being undertaken by management, the Company anticipates that it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future, but 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) finalize delivery on existing purchase orders and continue to develop its marketing opportunities into further revenue generating transactions, (ii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base, and (iii) identify and negotiate partnerships to assist Canntab in expanding its product offerings in Canada, United States, and other international jurisdictions. Management will need to continue assessing its financing options to raise the funds required to continue its strategy of expanding its product line, manufacturing facilities, research and development and geographic coverage. However, there can be no assurance that management's fund raising plans will be successful. While the Company has been successful in recent fundraising efforts as noted above, there can be no assurance that additional funds could be raised in the future. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

3. Recently Issued Accounting Pronouncements

As at the date of authorization of these unaudited interim condensed consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective. The Company has not yet assessed the impact of these amendments on the unaudited interim condensed consolidated financial statements.

3. Recently Issued Accounting Pronouncements, continued

(a) 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.

(b) IAS 37 "Provisions"

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January l, 2022.

(c) IAS 1, "Presentation of Financial Statements", and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

This standard has been amended to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. This amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January l, 2023.

(d) IAS 12 "Income Taxes"

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

(e) IFRS 9 "Financial Instruments"

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, continued

(f) IAS 8 "Definition of Accounting Estimates"

On February 12, 2021, the IASB issued Definition of Accounting Estimates. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

(g) IAS 1 "Accounting Policies"

On February 12, 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and an update to IFRS Practice Statement 2 "Making Materiality Judgements" to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include a requirement for companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023.

4. MEDIPHARM MEMORANDUM OF UNDERSTANDING

(a) During the year ended May 31, 2020, the Company acquired distillate from MediPharm Labs Inc. ("MediPharm") for a pre-HST purchase price of $473,460. This distillate was recorded in inventory as the Company controlled the distillate purchase. During the year ended May 31, 2021, the Company acquired additional distillate for a pre-HST purchase price of $232,980. No amounts were paid to MediPharm related to these purchases such that the HST-included amount owing as at May 31, 2021 was $797,278 (May 31, 2020 - $535,009).

(b) During the year ended May 31, 2021, the Company entered into two sales transactions with MediPharm whereby the Company shipped tablets to MediPharm and initially recognized gross revenue of $967,500 as the Company had transferred control of the tablets to MediPharm. The sales orders to MediPharm contained a return provision whereby any unsold tablets could be returned to the Company for the original sales price. As required under IFRS 15, the Company assesses its estimate of expected returns at each reporting period for contracts that permit customer returns and revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

4. MediPharm Memorandum Of Understanding, continued

(c) As at May 31, 2021, it became apparent that there was a high likelihood that most product would be returned as the throughput of sales by MediPharm to its end customers had not been achieved. As such, the Company revised the estimate of the transaction price to zero, reversed all revenue previously recognized, and recorded a right to recover goods returned of $459,038 *(see note 7)*. This estimate was later confirmed by the Memorandum of Understanding detailed below. All the inventory sold to MediPharm remained on hand at their facility as at May 31, 2021 and February 28, 2022.

(d) On September 16, 2021, the Company and MediPharm executed a Memorandum of Understanding ("MOU") whereby MediPharm would return all the tablets purchased from Canntab, which would settle the accounts receivable owed to Canntab. Commencing within sixty days after Canntab's first sale of the returned product, Canntab has agreed to pay MediPharm $20,000 per month for a period of twelve and a half consecutive months, to a maximum amount of $250,000. Upon MediPharm being paid $250,000 in accordance with the payment terms above, the amounts payable for the distillate will be considered paid in full, which would settle the amounts otherwise due under the distillate purchase orders.

(e) The return of tablets under the MOU corroborated the return provision and right to recover assets recorded as at May 31, 2021. As there was no reasonable expectation of collection of the accounts receivable, the amount was written off as of May 31, 2021 and no refund liability has been recorded.

(f) The legal settlement of the accounts payable for the distillate initially purchased for $797,278 (HST included) occurred with the signing of the MediPharm MOU on September 16, 2021. As such, the revised obligation of $250,000 (HST excluded) has now been adjusted in these unaudited interim condensed consolidated financial statements as the criteria for the liability to be extinguished have now been met. Accordingly, the carrying value of inventory has been reduced by the pre-HST decrease in the pricing of $456,440.

5. Cash and Cash Equivalents

	February 28 2022	May 31 2021
Cash	**$ 1,501,215**	$ 412,358
Cash in Company lawyer's trust account	**-**	1,078,505
	$ 1,501,215	$ 1,490,863

The cash in the Company lawyer's trust account is unrestricted. The majority of this balance as at May 31, 2021 included undisbursed proceeds received after exercise of share purchase warrants in May, 2021 *(see note 10(a)))* and were disbursed to the Company.

6. Accounts Receivable

	February 28 2022	May 31 2021
Trade accounts receivable	**$ 46,369**	$ -
HST recoverable	**128,419**	197,363
Non-trade accounts receivable	**8,214**	10,000
Accrued receivables	**52,510**	-
Provision for returns	**(36,259)**	-
	$ 199,253	$ 207,363

(a) As outlined in note 4, the refund liability recorded related to the MediPharm transaction has been recorded against the accounts receivable due from MediPharm as at May 31, 2021, as there was no expectation that this receivable would be recoverable once the product is returned. Subsequent to year end, the Company reached an agreement with MediPharm to recover all products sold for no consideration, corroborating the fact that no payment from MediPharm would be made *(see note 4(e))*.

(b) HST recoverable includes the net of (i) the reversal of $125,775 of previously reported HST payable on the previous MediPharm sales, and (ii) the reversal of $91,722 of previously claimed HST ITC's arising from the effective MediPharm price decrease of $456,440 *(see note 4(c))*.

7. Inventories

	February 28 2021	May 31 2021
Non-cannabis raw materials	**$ 162,387**	$ 162,878
Cannabis oil raw materials	**42,150**	139,976
Work-in-progress	**134,208**	192,255
Finished goods	**1,206,402**	766,499
Right-to-recover returned goods	**-**	459,038
	$ 1,545,147	$ 1,720,646

The Company has recognized a provision for inventory obsolescence as at February 28, 2022 of $263,312 (May 31, 2021 - $263,312). With the signing of the MediPharm MOU on September 16, 2021, the right-to-recover returned goods provision has been reversed out against the trade accounts payable obligation to MediPharm (*see note 4(f)*).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 28 2022	May 31 2021
Trade accounts payable	**$ 246,902**	$ 1,015,318
Accrued liabilities	**586,539**	288,626
Accounts payable - related company (Note 11(a))	**120,042**	76,544
Customer deposit	**-**	40,620
	$ 953,483	$ 1,421,108

Trade accounts payable as at February 28, 2022 includes $Nil (May 31, 2021 - $797,278) due to MediPharm *(see note 4(a))*. Under the terms of the MediPharm Memorandum of Understanding dated September 16, 2021, the companies have agreed to settle this obligation for $250,000 (plus applicable HST) *(see note 4(d))*. This provision has been included in accrued liabilities.

9. DEBENTURES PAYABLE AND DERIVATIVE LIABILITIES

(I) December, 2020 offering

(a) On December 30, 2020, the Company closed on a private placement of $1,525,000 of secured debentures, issued at a price of $1,000 per debenture with a term of two years and due by December 30, 2022. In addition, the Company granted compensation to its CFO in the form of convertible debentures of $50,000. The total face value of convertible debentures outstanding as at May 31, 2021 was $1,575,000 (2020 - $Nil).

(b) The major terms of the debentures are as follows:

(i) The principal amount bears interest at a rate of 10% per annum. Interest was calculated from the issue date and paid up front in cash for the initial 6 months, thereafter payable quarterly in cash on the last business day of each calendar quarter, first interest payment being paid on September 30, 2021. If the debenture holder elects, in its sole and absolute discretion, interest may be paid in common shares at the conversion price at any time following the issue date.

(ii) The debentures are convertible into common shares of the Company at a conversion price, subject to adjustments, of $0.80 per share, and will mature two years from the date of issuance. Beginning on the date that is four months and one day following the closing date of the offering, the Company will have the right to prepay or redeem a part or the entire principal amount of the convertible debentures plus any accrued and unpaid interest.

(iii) The Company also has the right to force the conversion of all of the principal amount of the then outstanding convertible debentures at the conversion price upon giving the debenture holders not less than 30 days advance written notice, should the volume weighted average trading price of the shares be greater than $1.20 per share for the preceding 15 consecutive trading days.

9. Debentures Payable And Derivative Liabilities, continued

(iv) The convertible debentures are secured by way of an agency and interlender security agreement made in favor of a collateral agent acting as agent for all of the holders of the debentures, granting a security interest in substantially all of the Company's assets. The Company will have the right to prepay any or part of the convertible debentures at any time prior to the maturity date by paying the principal amount of the convertible debentures.

(v) On closing, the Company issued to the purchasers of the convertible debentures one share purchase warrant for each share underlying the convertible debenture purchased, or 1,968,750 warrants in total. The warrants are exercisable for a period of three years from issuance into shares of the Company with each warrant entitling the holder thereof to acquire one share at an exercise price of $1.00 per share. The warrants are subject to an acceleration right exercisable by the Company at its option if, for the preceding 15 consecutive trading days, the volume weighted average trading price of the shares is greater than $2.00 per share. If the Company provides notice that it intends to exercise its acceleration right, the accelerated expiry date of the warrants will be the 30th calendar day following the date of such notice of exercise.

(vi) If, at any time during the term of the convertible debentures and the warrants, the Company issues securities at a price deemed lower than the conversion price or exercise price then in effect, then the exercise price and the conversion price would be adjusted downward.

(c) As a result of the contractual terms that may result in a potential adjustment to the debenture conversion price and exercise price of the warrants, the conversion feature and warrants did not meet equity classification. In failing the equity classification, the conversion feature and share purchase warrants have been accounted for as derivative liabilities. The effect is that the convertible debenture host debt instrument has been accounted for at amortized cost, with the derivative liabilities being measured at fair value with changes in value being recorded in profit or loss. In addition to the above, the prepayment option represents an embedded derivative liability. The prepayment option was valued at $Nil initially and as at May 31, 2021.

9. Debentures Payable And Derivative Liabilities, continued

(d) As a result of the above, the Company was required to first fair value the conversion feature and share purchase warrants at fair value as at December 30, 2020 and the residual was allocated to the host debt instrument. At each reporting date, the debenture portion gets accreted towards its face value and derivative liabilities are revalued.

(e) As a result of the pricing of the January, 2022 debenture offering *(see note 9(II))*, the adjustment provisions as disclosed in note *9(I)(b)(vi))* were deemed to have occurred. As a result, the debenture conversion price has decreased from $0.80 to $0.70 and the warrant exercise price has decreased from $1.00 to $0.90. The following table reflects the continuity of the components of the December, 2020 convertible debentures and derivative liabilities as at February 28, 2022:

	Convertible debentures	Derivative liability: conversion feature	Derivative liability: share purchase warrants	Derivative liability: total	Total
Balance, May 31, 2020	$ -	$ -	$ -	$ -	$ -
Fair values on issuance on December 30, 2020	940,256	250,838	383,906	634,744	1,575,000
Transaction costs	(49,608)	-	-	-	(49,608)
Interest and accretion	77,384	-	-	-	77,384
Revaluation	-	283,289	187,032	470,321	470,321
Balance, May 31, 2021	968,032	534,127	570,938	1,105,065	3,178,162
Interest and accretion	268,513	-	-	-	268,513
Revaluation	-	(160,065)	(523,294)	(683,359)	(683,359)
Balance, February 28, 2022	$ 1,197,170	$ 374,062	$ 47,644	$ 421,706	$ 1,618,876

(f) All required quarterly interest payments have been paid in cash up to December 31, 2021.

(II) January, 2022 offering

(a) On January 31, 2022, the Company closed on a second private placement of $1,312,000 of secured debentures, issued at a price of $1,000 per debenture with a term of two years and due by January 31, 2024. On closing, the Company also issued to the purchasers of the convertible debentures one share purchase warrant for each share underlying the convertible debenture purchased, or 1,874,285 warrants in total. The debentures were issued with the same terms and conditions as the December, 2020 offering *(see note9(I))*, except for:
- the debentures have a conversion price of $0.70
- the warrants have an exercise price of $0.80 and a term of 2 years

9. Debentures Payable And Derivative Liabilities, continued

(b) As the contractual terms of the January, 2022 offering are similar to the terms of the December, 2020 offering and may result in a potential adjustment to the debenture conversion price and exercise price of the warrants, the conversion feature and warrants do not meet equity classification. In failing the equity classification, the conversion feature and share purchase warrants have been accounted for as derivative liabilities, similar to the December, 2020 offering.

(c) The following table reflects the continuity of the components of the January, 2022 convertible debentures and derivative liabilities as at February 28, 2022:

	Convertible debentures	Derivative liability: conversion feature	Derivative liability: share purchase warrants	Derivative liability: total	Total
Balance, May 31, 2021	$ -	$ -	$ -	$ -	$ -
Fair values on issuance on December 30, 2020	910,340	281,143	120,517	401,660	1,312,000
Transaction costs	(12,179)	-	-	-	(12,179)
Interest and accretion	11,060	-	-	-	11,060
Revaluation	-	(46,858)	(64,288)	(111,146)	(111,146)
Balance, February 28, 2022	909,221	234,285	56,229	290,514	1,490,249

(III) Summary

As at February 28, 2022, the combined balances of the respective offerings are as follows :

	Convertible debentures	Derivative liability: conversion feature	Derivative liability: share purchase warrants	Derivative liability: total	Total
December, 2020 offering	$ 1,197,170	$ 374,062	$ 47,644	$ 421,706	$ 1,618,876
January, 2022 offering	909,221	234,285	56,229	290,514	1,199,735
Balance, February 28, 2022	2,106,391	608,347	103,873	712,220	2,818,611
Less: current portion	(1,197,170)	(374,062)	-	(374,062)	(1,571,232)
Balance, February 28, 2022	$ 909,221	$ 234,285	$ 103,873	$ 338,158	$ 1,247,379

10. Share Capital

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the unaudited interim condensed consolidated statements of changes in shareholders' equity for the period from June 1, 2020 to February 28, 2022. Descriptions of the changes in shareholders' equity are as follows:

(a) Share issuances

In June, 2021, 1,384,000 common shares were issued for gross proceeds of $1,098,750 upon exercise of 1,384,000 share purchase warrants issued in connection with the private placement that closed in March, 2020. Of the total proceeds, $813,750 were received prior to May 31, 2021, were presented as shares to be issued on the consolidated statement of financial position as at May 31, 2021, and transferred to share capital in the current period.

In January, 2022 and February, 2022, a total of 960,000 common shares were issued for gross proceeds of $240,000 on the exercise of 960,000 stock options.

12,500 common shares were issued in November, 2021 for gross proceeds of $7,500 on the exercise of 12,500 special warrants. A further 400,000 common shares were issued in February, 2022 for gross proceeds of $100,000 on the exercise of 400,000 special warrants.

In January, 2022, 174,222 broker compensation warrants were exercised for cash proceeds of $130,230, resulting in the issuance of 174,222 common shares. In July, 2020, 109,523 broker compensation warrants were exercised for cash proceeds of $54,761, resulting in the issuance of 109,523 common shares.

In October, 2020, the Company issued a total of 1,996,078 common shares at a deemed price of $0.51 per share for a total of $1,018,000 to close an asset purchase agreement with CMAX, a related party *(see note 11(c))*. In October, 2020, the Company issued 588,235 common shares at a deemed price of $0.51 per share for a total of $300,000 to close an asset purchase agreement with Pharmagenerics Solutions *(see note 11(c))*. The shares were recorded at the fair value of the assets acquired.

(b) Stock option and share purchase warrant issuances

In September, 2021, the Board of Directors approved the issuance of 465,000 stock options to certain employees of the Company. The options are exercisable at a price $0.80 per option, expire by September 1, 2025, and vest as to 1/6 immediately, and 1/6 for each subsequent six month period, such that they are fully vested by March 1, 2024. The fair value of these options was calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 0.71%, (2) expected volatility of 187%, (3) expected life of 4.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.70.

10 SHARE CAPITAL, CONTINUED

In November 2021, the Board of Directors approved the issuance of 120,000 stock options to certain consultants of the Company. The options are exercisable at a price $0.80 per option, expire by November 11, 2023, and vested immediately. The fair value of these options was calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 1.00%, (2) expected volatility of 81%, (3) expected life of 2.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.60.

As described in note 9(II). in January, 2022, the Company issued to the purchasers of the convertible debentures one share purchase warrant for each share underlying the convertible debenture purchased, or 1,874,285 warrants in total. The warrants are exercisable at a price $0.90 per option, expire by January 30, 2024, and are subject to similar terms and conditions as detailed in note 9(I)(b).

(c) Amendment of share purchase warrants

On the closing of a private placement in March, 2020, the Company issued 7,451,000 share purchase warrants that expired 2 years from that date. The share purchase warrants were ascribed a value of $54,080 using the residual method of valuation for the excess of the unit price over the trading price of the common shares on the closing date. The expiry date of the remaining 5,687,000 warrants has been extended to May 18, 2022.

(d) Expiry of equity instruments

During the three month period ended February 28, 2022, a total of 320,000 stock options, 420,000 special warrants and 28,245 broker compensation warrants expired unexercised.

(e) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and nine month periods ended February 28, 2022 were 37,736,044 and 37,355,419 respectively (three and nine month periods ended February 28, 2021 - 35,518,104 and 34,199,829 respectively).

The potentially dilutive equity instruments outstanding as at February 28, 2022 were (i) 1,722,926 stock options (2021 - 2,052,926), (ii) 1,650,000 special warrants (2021 - 2,862,500), (iii) 9,530,035 share purchase warrants (2021 - 9,419,750), (iv) 3,843,035 convertible debenture rights (2021 - 1,968,750),and (v) 47,813 broker compensation warrants (2021 - 408,480).

(f) Share based compensation

Total share based compensation of $372,887 was recognized during the nine month period ended February 28, 2022 (2021 - $517,658) based on currently issued and previously granted options and special warrants expected to vest in the reporting period.

11. RELATED PARTY TRANSACTIONS

During the nine month periods ended February 28, 2022 and 2021, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to, or controlled by, officers and directors, as follows:

		2022		2021
Salary	$	168,992	$	171,667
Consulting fees		171,000		204,000
Car allowances		7,200		14,400
Share based compensation		227,558		132,565
	$	574,750	$	522,632

(a) The Company is related to CMAX Technologies Inc. by virtue of common ownership and management. The Company entered into a lease renewal agreement with CMAX in fiscal 2020 under which it is obligated to make monthly rental payments of $10,000 until expiry on December 31, 2022. During the nine month period ended February 28, 2022, the Company made payments of $90,000 (2021 - $90,000).

(b) Legal fees recorded during the nine month period ended February 28, 2022 from a law firm of which a director is a partner totalled $72,742 (2021 - $2,355).

(c) In October, 2020, the Company completed related party asset acquisitions totalling $1,318,000 through the issuance of 2,584,313 common shares *(see note 10(a))*.

(d) Accounts payable and accrued liabilities as at February 28, 2022 includes $207,170 (2021 - $89,244) with respect to balances owing to related parties for the transactions disclosed above.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and bank loan payable approximate their fair values due to the short-term or demand nature of these balances. The Company's financial instruments are exposed to certain financial risks, as summarized below.

The fair value of the convertible debentures as at February 28, 2022 was approximately $2,688,000. The fair value was determined using the discounted cash flow method using a discount rate of 20%. The discount rate used is management's best estimate reflective of the Company's specific credit risk.

(b) Credit risk

Credit risk arises from deposits with banks, HST receivable and trade accounts receivable. The maximum exposure to credit risk as at February 28, 2022 is $1,700,468 of cash and cash equivalents and accounts receivable in the consolidated statement of financial position.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS, continued

(b) Credit risk, continued

Cash and cash equivalents consists of bank deposits unrestricted funds held in the Company lawyer's trust account. All of the above have been invested with a Canadian chartered bank, from which management believes the risk of loss to be remote. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

The Company's credit risk is attributable to its accounts receivable, which is comprised of trade accounts receivable and refundable HST ITC's. The receivable arising from the Company's sales transaction in the current period was fully prepaid, such that there is no trade accounts receivable as at February 28, 2022. The entire balance in trade accounts receivable of $46,369 relate to sales made to the Ontario Cannabis Store. The credit quality of the customer is considered high, and is monitored on an on-going basis.

(c) Liquidity risk

The business of the Company necessitates the management of liquidity risk. The Company's objective is to mitigate short-term liquidity risk by maintaining adequate working capital reserves and its long-term liquidity risk through good relations with external capital markets. The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. Most of the Company's financial liabilities are due within one year except for finance lease obligations and the convertible debenture.

The Company manages liquidity risk through the management of its capital structure and resources to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. Management keeps track of its operational needs and creates budgets and cash flow estimates to determine cash flow requirements for general business and working capital needs, as well as growth projects. The Company's ability to meet its operational needs is dependent on future operating results and cash flows, which are determined by economic, financial, competitive, market, regulatory factors and other factors.

The Company has undergone numerous recent financing initiatives as follows: (i) an initial convertible debenture offering for gross proceeds of $1,575,000 in December, 2020 *(see note 9(I))*, (ii) a second convertible debenture offering for gross proceeds of $1,312,000 in January, 2022 *(see note 9(II))*, (iii) $1,761,111 raised from exercise of share purchase warrants, stock options, special warrants and broker warrants since April, 2021 *(see note 10(a))*, and (iv) $239,000 from the sale of excess equipment. As at February 28, 2022, the Company had working capital of $543,648 (May 31, 2021 - $1,849,825).

(d) Market risk

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

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

12. Financial Instruments And Risk Factors, continued

(ii) Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk from its convertible debentures. Debentures owed by the Company are all fixed rate instruments.

13. Comparative Figures

Certain comparative information have been reclassified to conform with the current period presentation. The major reclassifications were made with respect to the statement of net loss and comprehensive loss for the purposes of (1) reclassifying interest expense from the general and administrative financial statement caption into its own caption, (2) merging professional and consulting fee captions, and (3) merging other prior year immaterial captions with general and administrative expense.

14. Segmented Information

The Company's operations comprise a single operating segment engaged in the medical marijuana business. All property and equipment, right-of-use assets and intangible assets are located in Canada.

15. Subsequent events

(a) Affiliate agreement

On March 23, 2022, the Company entered into an affiliate agreement with OnPharm-United, a 600+ network of independent pharmacy owners in Ontario.

(b) Strategic advisor

On April 3, 2022, the Company announced that it has engaged a strategic business consultant with the primary objective of identifying and negotiating partnerships to assist Canntab in expanding its product offerings in Canada, United States, and other international jurisdictions, as well as exploring M&A opportunities.

The engagement is initially for a four-month period, which can be extended on a month-to-month basis for an additional two months. The advisor will receive $5,000 a month and has been issued 40,000 common shares of Canntab and 200,000 stock options exercisable at $0.50 per share for a period of 4 years.

15. SUBSEQUENT EVENTS, continued

(c) Indigenous Peoples Agreement

On February 7, 2022, the Company announced a strategic planning collaboration and commercial partnership to create an Indigenous Opiate and Illicit Drug Crisis Plan (the "Plan"). The goal in entering into this partnership is to provide health and wellness solutions to over 100,000 patients, helping to mitigate opiate use and abuse and other medical issues utilizing Canntab's products.

The Plan is being conducted through an agreement with First Nations Growers GP Inc. The agreement is for an initial one-year term, which is renewable, and provides for a cash fee of $30,000 for start-up costs (paid out in April, 2022) and an issuance of 1,000,000 warrants exercisable into one common share of Canntab at price of $0.80 per warrant for a period of 24 months,.upon the satisfaction of specified milestones and regulatory approval.