LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

manning elliott

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Lobe Sciences Ltd. (formerly Greenstar Biosciences Corp.)

Opinion

We have audited the consolidated financial statements of Lobe Sciences Ltd. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
December 18, 2020

LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		August 31, 2020		August 31, 2019
ASSETS					
Current					
Cash		$	**172,107**	$	512,777
Trade and other receivables	6		**621,206**		401,590
Prepaid expenses	7		**377,123**		381,396
Promissory note receivable	8		**-**		696,227
Total current assets			**1,170,436**		1,991,990
Deposit	10		**78,252**		79,904
Intangible assets	5,9		**11,085,773**		3,992,239
Lease, net of amortization	3,10		**571,421**		457,178
Deferred acquisition cost	11		**65,210**		199,761
Total assets		**$**	**12,971,092**	$	6,721,072
LIABILITIES AND EQUITY					
Current					
Trade payables and other liabilities	17	**$**	**595,066**	$	527,558
Current lease liability	3,12		**181,817**		-
Total current liabilities			**776,883**		527,558
Lease liability	3,12		**120,203**		-
Total liabilities			**897,086**		527,558
Equity					
Share capital	13(c)		**18,524,509**		9,866,773
Shares to be issued			**13,500**		-
Reserves	13(h)		**2,355,630**		1,611,490
Accumulated other comprehensive (loss) income			**(3,870)**		94,941
Deficit			**(8,815,763)**		(5,379,690)
Total equity			**12,074,006**		6,193,514
Total liabilities and equity		**$**	**12,971,092**	$	6,721,072

Nature of operations and going concern (Note 1)
Events after the reporting period (Note 18)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 18, 2020. They are signed on the Company's behalf by:

"Signed"	"Signed"
Thomas Baird, Director	Leighton Bocking, Director

The accompanying notes are an integral part of these consolidated financial statements.

LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended August 31, 2020 and 2019
(Expressed in Canadian dollars, except share numbers)

	Note		2020		2019
Revenues					
License royalties	6,9	**$**	**431,046**	$	332,755
Lease			**453,791**		441,037
			884,837		773,792
Operating expenses					
Advertising			**936,698**		472,726
Amortization	9		**215,900**		210,411
Bad debt expense	6,8,11		**913,035**		36,451
Consulting fees	17		**216,838**		325,231
Depreciation	10		**345,581**		160,628
General and administrative			**77,931**		252,831
Insurance			**103,345**		-
Interest expense	12		**43,048**		-
Management fees	17		**275,691**		385,222
Professional fees	17		**335,509**		374,587
Rent			**43,281**		223,520
Share-based compensation	13,17		**744,140**		1,234,697
			4,250,997		3,676,304
Loss before other items			**(3,366,160)**		(2,902,512)
Other items					
Foreign exchange loss			**27,899**		84,156
Other income	8		**(22,717)**		(34,224)
Listing expense	4		**-**		1,735,263
Gain on derecognition of derivative liability	13(e)		**-**		(8,639,835)
Change in fair value of derivative liability	13(e)		**-**		4,706,559
Loss on settlement of trade payables	13(c)		**64,731**		-
Net loss		**$**	**(3,436,073)**	$	(754,431)
Other comprehensive income					
Foreign currency translation adjustments			**(98,811)**		94,522
Comprehensive loss		**$**	**(3,534,884)**	$	(659,909)
Net loss per share					
Basic and diluted		**$**	**(0.05)**	$	(0.01)
Weighted average number of shares outstanding					
Basic and diluted			**75,303,968**		47,809,947

The accompanying notes are an integral part of these consolidated financial statements.

LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2020 and 2019
(Expressed in Canadian dollars)

	Note	2020	2019
Operating activities			
Net loss		$ **(3,436,073)**	$ (754,431)
Adjustments for non-cash items:			
Amortization	9	**215,900**	160,628
Depreciation	10	**345,581**	210,411
Share-based compensation	13,17	**744,140**	1,234,696
Bad debt expense	11	**913,035**	-
Listing expense	4	**-**	1,391,518
Interest income	8	**(22,717)**	(30,214)
Change in fair value of derivative liability	13(e)	**-**	4,706,559
Gain on derecognition of derivative liability	13(e)	**-**	(8,639,836)
Unrealized foreign exchange loss		**(28,020)**	(168)
Loss on settlement of trade payables	13(c)	**64,731**	(168)
Changes in non-cash working capital items:			
Trade and other receivables		**(237,605)**	(324,511)
Prepaid expenses		**14,134**	(379,838)
Trade payables and other liabilities		**204,477**	381,577
Net cash used in operating activities		**(1,222,417)**	(2,043,609)
Investing activities			
Deposit on Delta1 partnership		**-**	(199,761)
Purchase of intangible assets	5	**-**	(265,102)
Cash acquired in acquisitions		**198,740**	1,105
Net cash provided by (used in) investing activities		**198,740**	(463,758)
Financing activities			
Common shares issued for cash – private placement	13(c)	**585,000**	1,074,303
Common shares issued for cash – exercise of warrants	13(c)	**293,000**	83,300
Share issuance costs		**(10,122)**	(20,104)
Subscriptions received	13	**13,500**	-
Repayment of lease liability	12	**(162,645)**	-
Promissory note receivable		**-**	(662,754)
Net cash provided by financing activities		**718,733**	474,745
Effect of exchange rate changes on cash		**(35,726)**	58,730
Decrease in cash		**(340,670)**	(1,973,892)
Cash, beginning of year		**512,777**	2,486,669
Cash, end of year		$ **172,107**	$ 512,777

Supplemental Cash Flow Information		
Interest paid	-	-
Income taxes paid	-	-

The accompanying notes are an integral part of these consolidated financial statements.

LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended August 31, 2020 and 2019
(Expressed in Canadian dollars, except share numbers)

	Note	Number of shares		Share capital		Shares to be issued		Reserves		Accumulated other comprehensive income		Deficit		Total equity
Balance, August 31, 2018		**56,256,598**	**$**	**7,322,026**	**$**	**17,518**	**$**	**803,410**	**$**	**419**	**$**	**(4,625,259)**	**$**	**3,518,114**
Shares issued – private placement	13(c)	5,032,901		1,091,221		(10,000)		-		-		-		1,081,221
Shares issued – warrant exercise	13(c)	833,000		83,300		-		-		-		-		83,300
Green Star Biosciences Inc. shares cancelled in share exchange with shareholders in RTO	3	(62,561,199)		(8,858,344)		-		-		-		-		(8,858,344)
Shares issued to shareholders in RTO	3	62,561,199		8,858,344		-		-		-		-		8,858,344
Reverse takeover	3	4,450,000		1,363,364		-		28,160		-		-		1,391,524
Penalty shares issued	13(c)	1,271,700		445,097		-		-		-		-		445,097
Reallocation of warrants to derivative liability		-		(418,378)		-		-		-		-		(418,378)
Share issue costs		-		(19,857)		-		-		-		-		(19,857)
Share-based payments	13	-		-		-		779,920		-		-		779,920
Reclassification of shares to be issued to accounts payable and other liabilities		-		-		(7,518)		-		-		-		(7,518)
Comprehensive income (loss)		-		-		-		-		94,522		(754,431)		(659,909)
Balance, August 31, 2019		**67,844,199**	**$**	**9,866,773**	**$**	**-**	**$**	**1,611,490**	**$**	**94,941**	**$**	**(5,379,690)**	**$**	**6,193,514**
Shares issued – private placement		11,700,000		585,000		-		-		-		-		585,000
Shares issued – acquisition of Eleusian Biosciences Corp.	5,13(c)	63,201,058		7,584,127		-		-		-		-		7,584,127
Shares issued – exercise of warrants	13(c)	2,930,000		293,000		-		-		-		-		293,000
Shares issued – debt settlement	13(c)	2,007,692		205,731		-		-		-		-		205,731
Shares cancelled	13(c)	(4,568,524)		-		-		-		-		-		-
Share issue costs		-		(10,122)		-		-		-		-		(10,122)
Subscriptions received		-		-		13,500		-		-		-		13,500
Share-based compensation	13	-		-		-		744,140		-		-		744,140
Comprehensive loss		-		-		-		-		(98,811)		(3,436,073)		(3,534,884)
Balance, August 31, 2020		**143,114,425**	**$**	**18,524,509**	**$**	**13,500**	**$**	**2,355,630**	**$**	**(3,870)**	**$**	**(8,815,763)**	**$**	**12,074,006**

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Lobe Sciences Ltd. (formerly GreenStar Biosciences Corp.) (the "Company") was incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The head office, principal address and registered office of the Company are located at 1400 – 1199 West Hastings Street, Vancouver, B.C. V6E 3T5.

On May 30, 2019, the Company completed a reverse takeover with Green Star Biosciences Inc. The transaction was accounted for as a reverse acquisition ("RTO"). On May 30, 2019, the Company changed its name to GreenStar Biosciences Corp. and on November 16, 2020 the Company changed its name to Lobe Sciences Ltd. The Company's common shares are listed under the symbol "LOBE" on the Canadian Securities Exchange and under the symbol "GTSIF" on the OTCQX. In connection with the name change, the Company has new CUSIP and ISIN numbers 53946V107 and CA53946V1076 respectively.

The Company is a technology and services company that provides real estate, financial, management, IP and branding support for development of transformational medicine. The Company is working to develop effective psilocybin-based therapeutics for the treatment of mild traumatic brain injuries and post-traumatic stress disorder and devices for the efficient application of medications. The Company also owns acquired brands, intellectual property and leases office and production premises to a cannabis processor and retailer.

Going concern

During the year ended August 31, 2020, the Company incurred a net loss of $3,436,073 (August 31, 2019 - $754,431). As at August 31, 2020, the Company has an accumulated deficit of $8,815,763 (August 31, 2019 - $5,379,690). These factors form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to raise sufficient financing to acquire or develop a profitable business. The Company intends on financing its future development activities and operations from the sale of equity securities.

The Company indirectly derives its revenues from the cannabis industry in the State of Washington, U.S.A. and the cannabis industry remains illegal under U.S. federal law and the approach to enforcement of U.S. federal laws against cannabis is subject to change. Because the Company engages in cannabis related activities in the U.S., it assumes certain risks due to conflicting state and federal laws.

Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the Washington State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

These consolidated financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

COVID-19

During the year ended August 31, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the United States, state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the United States and other countries to fight the virus.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for all years presented. These consolidated financial statements were approved by the Board of Directors and authorized for issuance on December 18, 2020.

(b) Basis of presentation

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, except as otherwise noted. The functional currency of the Company is the Canadian dollar. See "Basis of Consolidation" for the functional currency of the Company's subsidiaries. References to United States dollar are "USD".

(d) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

(Expressed in Canadian dollars, except where noted)

2. BASIS OF PRESENTATION (continued)

All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency
Green Star Biosciences Inc.	Canada	100%	USD
Green Star Washington LLC	United States	100%	USD
Green Star Biosciences Packing LLC	United States	100%	USD
Eleusian Biosciences Corp (1)	Canada	100%	CAD
Capri PHGS, LLC (2)	United States	50%	USD

(1) Acquired on July 27, 2020
(2) Inactive and therefore has no impact on the Company's interim financial statements

(e) Reclassification of prior year amounts

The Company has reclassified certain items to improve clarity.

3. SIGNIFICANT ACCOUNTING POLICIES

a) New IFRS standards adopted for the year ended August 31, 2020

Leases

Effective September 1, 2019, the Company adopted IFRS 16 - *Leases* ("IFRS 16") using the modified retrospective approach. The new standard requires a lessee to recognize a liability to make lease payments (the lease liabilities) and an asset to recognize the right to use the underlying asset during the lease term (the right-of-use assets) in the statement of financial position. Comparative information has not been restated and continues to be reported under IAS 17 - *Leases* ("IAS 17") and IFRIC 4 - *Determining Whether an Arrangement Contains a Lease* ("IFRIC 4").

The Company used the practical expedient to not reassess whether a contract is or contains a lease at September 1, 2019. Instead, the Company applied IFRS 16 only to contracts previously identified as leases under IAS 17 and IFRIC 4.

The Company also used the following practical expedients to account for leases at September 1, 2019:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Relied on the Company's assessment of whether leases are onerous immediately before September 1, 2019.
- Applied recognition exemptions for operating leases when the underlying asset was of low value or the lease term ends within 12 months. The payments associated with these leases are recognized as an expense in operating expenses.
- Excluded initial direct costs when measuring the right-of-use asset at September 1, 2019.
- Used hindsight to determine the lease term when the contract contained options to extend or terminate the lease.

(Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

These policies apply to contracts entered into or changed on or after September 1, 2019. A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration.

To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in operating expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's weighted-average incremental borrowing rate, calculated in accordance with IFRS 16, at September 1, 2019, of 10%. Associated right-of-use assets were measured at the amount equal to the lease liabilities.

The lease liabilities as at August 31, 2019 can be reconciled to the operating lease commitments as of September 1, 2019 as follows:

Operating lease commitments as at August 31, 2019	$	555,783
Weighted average incremental borrowing rate as at September 1, 2019		10%
Discounted operating lease commitments at September 1, 2019	**$**	**485,279**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

As a result of the initial application of IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized right-of-use assets of $485,279 and lease liability of $485,279 as at September 1, 2019.

b) Significant estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

ii. Useful lives of long-lived assets

Management reviews its estimate of the useful life of long-lived assets annually and accounts for any changes in estimates prospectively. The Company applied judgment in determining the useful lives of the right of use assets for purposes of assessing the shorter of the useful life or lease term.

iii. Impairment

Long-lived assets, including intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Judgments and estimates are required in determining the indicators of impairment and the estimates required to measure an impairment, if any.

iv. Expected credit losses

In calculating the expected credit loss on financial instruments, management is required to make a number of judgments including the probability of possible outcomes with regards to credit loss, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Current and deferred income taxes

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on contractual revenues and expenses and planned expenses, which are internally developed and reviewed by management.

Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

vi. Equity-settled share-based payments

Share-based payments are measured at fair value. Options and warrants are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the measurement date and are expensed to the consolidated statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

vii. Leases as a result of adopting IFRS 16

<u>Identifying whether a contract includes a lease</u>

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, does the Company obtain substantially all of the economic benefits and who has the right to direct the use of that asset.

<u>Incremental borrowing rate</u>

When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the consolidated statement of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimate of lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

viii. Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

c) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Exchange gains and losses are recognized on a net basis in on the consolidated statement of loss and comprehensive loss for the year.

d) Cash

Cash is comprised of cash at banks and on hand.

e) Intangible assets

Intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses. The useful lives of intangible asset are assessed as either finite or indefinite. Intangible assets included provisional patents identified as part of the Acquisition (Note 5). The initial acquisition cost is based on the fair value of the consideration paid. As the provisional patents are not yet in use or in the stage of a final patent they are not yet subject to amortization.

Upon sale or abandonment of any intangible asset, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in profit or loss for the period.

f) Depreciation and amortization

Depreciation and amortization is provided using the straight-line basis over the following terms:

Right of use assets	3 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation commences on the date the asset is available for use. An asset's residual value, useful life and amortization method are reviewed at each financial year end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in consolidated statement of loss and comprehensive loss.

g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and,
- as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are reduced by actual expenditures for which the provision was originally recognized. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The accretion of the discount is charged to the consolidated statement of loss and comprehensive loss.

h) Share-based payments

Certain employees and directors of the Company receive a portion of their remuneration in the form of share options. The fair value of the share options, determined at the date of the grant, is charged to the consolidated statement of loss and comprehensive loss, with an offsetting credit to reserves, over the vesting period. If and when the share options are exercised, the applicable original amounts of reserves are transferred to issued capital.

The fair value of a share-based payment is determined at the date of the grant. The estimated fair value of share options is measured using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and share price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

These estimates involve inherent uncertainties and the application of management's judgement. The costs of share-based payments are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. At each reporting date prior to vesting, the cumulative compensation expense representing the extent to which the vesting period has passed and management's best estimate of the share options that are ultimately expected to vest is computed. The movement in cumulative expense is recognized on the consolidated statement of loss and comprehensive loss with a corresponding entry to reserves.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

No expense is recognized for share options that do not ultimately vest. Charges for share options that are forfeited before vesting are reversed from reserves and credited to the consolidated statement of loss and comprehensive loss. For those share options that expire unexercised after vesting, the recorded value remains in reserves.

i) Share purchase warrants

Share purchase warrants are classified as equity under the principles of IAS 32 - *Financial Instruments: Presentation* as the exercise price of the share purchase warrant is fixed in Canadian dollars and the functional currency of the Company is the Canadian dollar.

The share purchase warrants are recognized at fair value using the Black-Scholes option pricing model or the listed trading price at the date of issue and as vesting occurs. Share purchase warrants are initially recorded into equity reserves and future changes in fair value are not recognized.

Upon exercise of the share purchase warrants, the initial value allocated to equity reserves in reversed and the residual of the cash proceeds over the initial fair value is recorded as to issued capital. On expiry, the equity reserve is reclassified from the warrant reserve to contributed surplus.

j) Issued capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are expensed in the period they are incurred.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for non-monetary consideration are recorded at the fair value of goods or services received or the fair value of the common shares issued if it is determined that the fair value of the goods or services cannot be reliably measured. The fair market value of the common shares issued is based upon the trading price of the Company's shares on the Canadian Securities Exchange on the date the goods or services are received or the date of share issuance, whichever is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company has classified cash at FVTPL and promissory note receivable at amortized cost.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to the consolidated statement of loss and comprehensive loss on disposal of the equity instrument, instead, it is transferred to deficit.

The Company does not currently hold any equity instruments designated as FVTOCI.

Financial assets measured subsequently at fair value through profit or loss:

By default, all other financial assets are measured subsequently at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized on the consolidated statement of loss and comprehensive loss to the extent they are not part of a designated hedging relationship.

l) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized on the consolidated statement of loss and comprehensive loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

<u>Classification of financial liabilities</u>

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method. The Company's financial liabilities measured at amortized cost are trade and other liabilities. The Company currently does not hold any financial liabilities at FVTPL.

m) Financial instruments designated as hedging instruments

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

n) Impairment of financial assets

The expected loss model ("ECL") applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. The ECL model applies to the Company's promissory note receivable (Note 8) and deferred acquisition cost (Note 11).

To assess credit losses, the Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk;
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low; or

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets, other than those at FVTPL and amortized cost, are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

o) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists such as an increase in operating costs or a decrease in the number of patient visits, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. In determining the recoverable amount, the Company compares the carrying amount of the asset or cash generating unit ("CGU").

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount is determined as the higher of fair value less costs of disposal and the asset's value in use. Fair value is determined with reference to discounted estimated future cash flow analysis or to recent transactions involving dispositions of similar properties. In assessing value in use, the estimated future cash flows are discounted to their present value.

The pre-tax discount rate applied to the estimated future cash flows measured on a value in use basis reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as a charge to profit or loss. Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Where an impairment, other than goodwill impairment, subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depletion and depreciation) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of loss or comprehensive loss. Goodwill impairment losses are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Taxes

i. Current tax expense

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the period.

Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

ii. Deferred tax expense

Deferred tax is accounted for using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forwards of unused tax losses and tax credits, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantially enacted at the reporting date. Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in earnings or loss.

q) Income (loss) per share

Basic earnings (loss) per share (“EPS”) is calculated by dividing the income (loss) and comprehensive income (loss) of the Company by the basic weighted average number of common shares outstanding during the period.

For purposes of calculating diluted EPS, the proceeds from the potential exercise of dilutive share options and share purchase warrants with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company’s common shares at their average market price for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share options and share purchase warrants are included in the calculation of diluted EPS only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such conversion would be anti-dilutive.

r) Research and development expenditures

Research expenditures are expensed in the period incurred. Product development expenditures are expensed in the period incurred unless the expenditures meet specific criteria related to technical, market and financial feasibility for deferral and amortization. The Company's policy is to amortize deferred product development expenditures over the expected future life of the product. Any costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred. No product development expenditures have been deferred to date.

s) Revenue recognition

Revenue is recognized when the Company satisfies its performance obligations. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific performance obligations described below must also be met before revenue is recognized. Payments received from customers in advance of meeting the performance obligations are recorded as deferred revenue.

License Royalties

The Company accounts for sales-based royalties, charged on a per unit basis, in exchange for the license to use its intellectual property. Licensing revenue is recognized when the sale of licensed products occurs and in accordance with the terms of its licensing agreements which is the point in time when the Company satisfies its performance obligation.

Leases

The Company accounts for the leases of premises with its tenants as operating leases in accordance with the substance of the lease agreements. Lease revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries. Revenue from leases is recognized over time based upon the periodic rent amounts due under the terms of the sublease agreement.

t) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(Expressed in Canadian dollars, except where noted)

4. REVERSE ACQUISITION

On May 30, 2019, the Company completed a reverse takeover ("RTO") with Green Star Biosciences Inc. Pursuant to the RTO, the following occurred:

(i) The company completed a consolidation of its common shares immediately prior to the completion of the amalgamation (as defined below), of its then issued and outstanding 8,900,000 common shares on the basis of one new Bethpage share for every two (2) existing Bethpage shares.

(i) The Company's subsidiary, 2173969 Alberta Ltd. amalgamated with Green Star Biosciences Inc., a private corporation incorporated under the Business Corporations Act of Alberta and changed its name to Green Star Biosciences Inc. ("Amalco")

(ii) The Company acquired all of the issued and outstanding common shares of Amalco from the former shareholders of Green Star Biosciences Inc. in exchange for an aggregate of 62,561,200 Bethpage shares. The Company changed its name from Bethpage Capital Corp. to GreenStar Biosciences Corp.

As a result of the RTO, the former shareholders of Green Star Biosciences Inc. acquired control of the Company, thereby constituting a reverse takeover of the Company. The RTO is considered a purchase of the Company's net assets by the shareholders of Green Star Biosciences Inc. The transaction is accounted for in accordance with guidance provided in IFRS 2 - *Share-Based Payment* and IFRS 3 - *Business Combinations* ("IFRS 3"). As the Company did not qualify as a business according to the definition in IFRS 3, the Acquisition does not constitute a business combination; rather, it is treated as an issuance of shares by Green Star Biosciences Inc. for the net assets of the Company and the Company's listing status with Green Star Biosciences Inc. as the continuing entity.

The RTO has been accounted for as a reverse acquisition that does not constitute a business combination. For accounting purposes, the legal subsidiary, Green Star Biosciences Inc., has been treated as the acquirer and GreenStar Biosciences Corp., the legal parent, has been treated as the acquiree. For accounting purposes, these consolidated financial statements reflect a continuation of the financial position, operating results, and cash flow of the Company's legal subsidiary, Green Star Biosciences Inc.

A breakdown of the listing expense is as follows:

Outstanding common shares of Bethpage deemed to be issued	$	1,363,364
Outstanding share purchase options of Bethpage deemed to be issued		28,160
Settlement of intercompany balances		173,419
Professional fees related to listing		154,507
Net liabilities acquired		15,813
Listing fee	**$**	**1,735,263**

Fair value of net assets (liabilities) of Bethpage		
Cash	$	1,105
Accounts receivable		1,826
Accounts payable and other liabilities		(18,744)
	$	**(15,813)**

(Expressed in Canadian dollars, except where noted)

4. REVERSE ACQUISITION (continued)

The fair value of stock options assumed in the Acquisition was determined to be $28,160 and estimated using the Black-Scholes Option Pricing Model with the following assumptions:

CAD/USD exchange rate	1.3503
Risk-free interest rate	1.53%
Expected volatility	150%
Dividend yield	0%
Expected life	3.06 years

5. ACQUISITION OF ELEUSIAN BIOSCIENCES CORP.

On July 27, 2020, the Company acquired 100% of the shares of Eleusian Biosciences Corp. ("Eleusian") and issued shares as purchase consideration as summarized below. Eleusian is a research and development Company with plans to utilize a multidisciplinary team of scientists and physicians at the University of Miami under a contract to develop effective psilocybin-based therapeutics for the treatment of mild traumatic brain injuries and post-traumatic stress disorder.

As Eleusian did not qualify as a business according to the definition in IFRS 3, the acquisition has been accounted as a purchase of an asset with the fair value of the common shares issued by Lobe based on the fair value of the common shares on the closing date of the acquisition as follows:

Purchase price:		
60,200,056 acquisition common shares issued by Lobe	$	7,224,007
3,001,002 finder common shares issued by Lobe		360,120
Legal fees		40,000
Total consideration	**$**	**7,624,127**
Net assets acquired:		
Cash	$	192,849
Accounts receivable		47,558
Prepaid expenses		18,333
Intellectual property (Note 9)		7,385,387
Accounts payable		(20,000)
Total net assets acquired	**$**	**7,624,127**

The intellectual property is comprised of provisional patents. As the provisional patents are not yet in the stage of a final patent, the useful life depends on future progress; therefore, no amortization has been recorded as at August 31, 2020.

(Expressed in Canadian dollars, except where noted)

6. TRADE AND OTHER RECEIVABLES

		August 31, 2020		August 31, 2019
License and rental income	**$**	**615,406**	$	164,448
Sales tax receivable		**52,515**		237,142
Allowance for doubtful amounts		**(46,715)**		-
	$	**621,206**	$	401,590

While management intends to exhaust every effort to collect the outstanding balances uncertainty exists surrounding ultimate collection. During the year ended August 31, 2020, the Company recorded a bad debt expense of $48,105 (USD$35,819) (year ended August 31, 2019 - $nil) representing an allowance for expected credit losses on the license and rental income receivable.

7. PREPAID EXPENSES

		August 31, 2020		August 31, 2019
Advertising	**$**	**333,984**	$	332,935
Insurance		**7,833**		48,461
Deposits		**8,425**		-
Other		**26,881**		-
	$	**377,123**	$	381,396

8. PROMISSORY NOTE RECEIVABLE

On February 4, 2019, the Company loaned a non-related party $665,870 (USD$500,000). The loan bore interest at a rate of 8% per annum and all outstanding principal and accrued interest was due on February 4, 2020. The note is secured by intellectual property and licenses held by the borrower. For the year ended August 31, 2020, the Company recorded interest income of $22,717 (USD$17,205) (year ended August 31, 2019 - $30,356 (USD$22,795)) which is included in other income on the consolidated statement of loss and comprehensive loss.

As at August 31, 2020, all outstanding principal and accrued interest was past due and remained outstanding. The Company's management is corresponding with the borrower and is assessing the fair value of the intellectual property and licenses held by the borrower to recover the past due amounts outstanding.

		August 31, 2020		August 31, 2019
Balance, beginning of year	**$**	**696,227**	$	-
Advance		**-**		665,870
Interest income		**22,717**		30,356
Allowance for doubtful amounts		**(725,220)**		-
Unrealized foreign exchange gain		**6,276**		1
Balance, end of year	**$**	**-**	$	696,227

(Expressed in Canadian dollars, except where noted)

8. PROMISSORY NOTE RECEIVABLE (continued)

The maximum credit exposure related to the promissory note is $725,220. While management intends to exhaust every effort to collect the outstanding principal and accrued interest, including but not limited to litigation, uncertainty exists surrounding ultimate collection. The Company has provided for expected credit losses of $725,220 with respect to the promissory note.

9. INTANGIBLE ASSETS

		August 31, 2020		August 31, 2019
Cost				
Balance, beginning of period	$	**4,261,570**	$	3,885,708
Additions		**7,385,387**		263,229
Unrealized foreign exchange (loss) gain		**(88,130)**		112,633
Balance, end of year		**11,558,827**		4,261,570
Accumulated depreciation				
Balance, beginning of period		**269,331**		56,342
Amortization		**215,900**		210,411
Unrealized foreign exchange (loss) gain		**(12,177)**		2,578
Balance, end of year		**473,054**		269,331
Carrying amount	**$**	**11,085,773**	$	3,992,239

On July 27, 2020, the Company purchased provisional patents in the acquisition of Eleusian (Note 5). Purchase consideration of $7,385,387 was assigned to intellectual property. As the provisional patents are not yet in the stage of a final patent, the useful life depends on future progress; therefore, no amortization has been recorded as at August 31, 2020.

On May 17, 2018, the Company entered into an Intellectual Property Purchase Agreement (“IPPA”) with Cowlitz County Cannabis Cultivation, Inc. (“Cowlitz”) whereby the Company purchased the right to various brands and trademarks (“Licensed Products). Further, the Company obtained the right to sell these Licensed Products at any time. Initial consideration was $4,136,100 (USD$3,000,000). On October 10, 2018, the Company amended the IPPA to include additional Licensed Products for additional consideration of $275,740 (USD$200,000).

October 10, 2018, the Company amended the IPPA. The License Agreement granted Cowlitz a perpetual, irrevocable, non-exclusive, non-assignable, non-sublicensable right and license to use, manufacture, have manufactured and sell the Licensed Products in Washington State. Pursuant to the terms of the License Agreement, Cowlitz will pay the Company a monthly license fee based on unit sales.

During the year ended August 31, 2020, the Company recognized $431,046 (USD$315,733) (August 31, 2019 - $332,755 (USD$260,405)) in licensing royalties earned pursuant to the License Agreement.

(Expressed in Canadian dollars, except where noted)

10. LEASE

On May 17, 2018, the Company entered into a Lease Purchase Agreement with the landlord of the premises of Cowlitz under which the Company paid $689,350 (USD$500,000) to purchase the rights to the lease and paid an additional $78,252 (USD$60,000) as a lease deposit. The purchase price of the lease rights is being amortized over the term of the lease which expires on June 30, 2022.

		August 31, 2020		August 31, 2019
Balance, beginning of year	**$**	**457,178**	$	601,605
Adoption of IFRS 16		**485,279**		-
Depreciation		**(345,581)**		(160,628)
Unrealized foreign exchange (loss) gain		**(25,455)**		16,201
Balance, end of year	**$**	**571,421**	$	457,178

During the year ended August 31, 2020, the Company recognized $453,791 (USD$337,253) (August 31, 2019 - $441,037 (USD$337,253) in lease revenues earned pursuant to the Lease Purchase Agreement.

11. DEFERRED ACQUISITION COST

On February 26, 2019, Green Star Biosciences Inc. entered into a non-binding letter of intent ("LOI") for a Partnership Agreement with Delta One Consultants LLC ("Delta1"). The Company planned to partner with Delta1 to purchase an interest in an indoor cannabis grow operation. In connection with the Letter of Intent, the Company paid $205,140 (USD $150,000) to Delta1. Management had used judgement and determined that the amount paid to Delta1 met the definition of an asset and it was reasonably expected to complete the acquisition of a 51% interest in the Inkster, Michigan facility.

The Company continually reassesses its capital allocation and has determined that proceeding with Delta1 at the current time is not in the best interest of the Company. During the year ended August 31, 2020, the Company recorded a bad debt expense of $139,930 (USD$100,000) (year ended August 31, 2019 - $nil) representing an allowance for expected credit losses on the initial advance.

12. LEASE LIABILTY

		August 31, 2020		August 31, 2019
Balance, beginning of year	**$**	**-**	$	-
Adoption of IFRS 16		**485,279**		-
Repayment of lease obligation		**(205,693)**		-
Interest expense		**43,048**		-
Unrealized foreign exchange loss		**(20,614)**		-
Balance, end of year		**302,020**		-
Less: Non-current portion		**120,203**		-
Current portion of lease liability	**$**	**181,817**	$	-

13. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

(b) Escrow shares

The Company has shares held in escrow and subject to trading restrictions which are released in tranches through 2022. As at August 31, 2020, 53,761,614 common shares were subject to these escrow and trading restrictions (August 31, 2019 - 39,873,475).

(c) Issued

The Company has the following common share transactions during the year ended August 31, 2020:

- On September 11, 2019, the Company issued 330,000 common shares upon the exercise of warrants at a price of $0.10 per common share for gross proceeds of $33,000.
- On November 29, 2019, the Company issued 1,200,000 common shares upon the exercise of warrants at a price of $0.10 per common share for gross proceeds of $120,000.
- On January 27, 2020, the Company issued 507,692 common shares at a fair value of $0.095 per common share for total fair value consideration of $48,231 as settlement of trade payables in the amount of $66,000. The transaction resulted in a gain on debt settlement of $17,769.
- On February 5, 2020, the Company issued 600,000 common shares upon the exercise of warrants at a price of $0.10 per common share for gross proceeds of $60,000.
- On February 6, 2020, the Company issued 350,000 common shares upon the exercise of warrants at a price of $0.10 per common share for gross proceeds of $35,000.
- On February 7, 2020, the Company issued 450,000 common shares upon the exercise of warrants at a price of $0.10 per common share for gross proceeds of $45,000.
- On February 17, 2020, the Company reacquired and cancelled 4,568,524 common shares for no consideration pursuant to a share cancellation agreement.
- On July 22, 2020, the Company issued 11,700,000 common shares pursuant to a non-brokered private placement at $0.05 per common share for gross proceeds of $585,000.
- On July 22, 2020, the Company issued 1,500,000 common shares at a fair value of $0.105 per common share for total fair value consideration of $157,500 as settlement of trade payables in the amount of $75,000. The transaction resulted in a loss on debt settlement of $82,500.
- July 27, 2020, the Company issued 63,201,058 common shares pursuant to the acquisition of Eleusian (Note 5).

13. SHARE CAPITAL (continued)

The Company has the following common share transactions during the year ended August 31, 2019:

- On November 1, 2018, the Company issued 2,500,000 units pursuant to a non-brokered private placement at $0.05 per unit for gross proceeds of $125,000. Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.10 per warrant until May 10, 2020.

- On November 30, 2018, the Company issued 540,350 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until June 29, 2020.

- On November 30, 2018, the Company issued 95,500 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until July 31, 2020.

- On December 19, 2018, the Company issued 50,000 common shares in a non-brokered private placement at $0.20 per share for gross proceeds of $10,000.

- On January 4, 2019, the Company issued 977,413 units pursuant to a non-brokered private placement at $0.35 per unit for gross proceeds of $342,095. Each unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until January 4, 2021. The Company paid finders fees equal to $19,857.

- On January 15, 2019, the Company issued 80,000 common shares and 66,419 share purchase warrants to a consultant in exchange for services. The shares were fair valued at $11,200. Each warrant is exercisable into one common share of the Company at an exercise price of $0.35 per warrant until January 1, 2021.

- On January 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 270,175 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until June 29, 2020.

- On January 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 47,750 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until July 31, 2020.

- On March 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 317,925 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months.

- On May 15, 2019, the Company issued 328,948 units pursuant to a non-brokered private placement at $0.45 per unit for gross proceeds of $148,027. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

(Expressed in Canadian dollars, except where noted)

13. SHARE CAPITAL (continued)

- On May 22, 2019, the Company issued 711,111 units pursuant to a non-brokered private placement at $0.45 per unit for gross proceeds of $320,000. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

- On August 7, 2019, the Company issued 500,000 common shares pursuant to a warrant exercise at $0.10 per share for gross proceeds of $50,000.

- On August 15, 2019, the Company issued 333,000 common shares pursuant to a warrant exercise at $0.10 per share for gross proceeds of $33,300.

(d) Share purchase warrants

A summary of share purchase warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2018	36,631,346	$ 0.19
Issued	4,403,718	$ 0.37
Exercised	(833,000)	$ 0.10
Balance, August 31, 2019	40,202,064	$ 0.21
Exercised	(2,930,000)	$ 0.10
Expired	(36,004,196)	$ 0.20
Balance, August 31, 2020	1,267,868	$ 0.73

The share purchase warrants outstanding and exercisable at August 31, 2020 and 2019 have the following expiry date and exercise prices:

Expiry Date	Exercise Price	August 31, 2020	August 31, 2019
May 10, 2020	$ 0.10	**-**	32,566,994
May 18, 2020	$ 0.20	**-**	700,000
May 23, 2020	$ 0.35	**-**	142,857
June 29, 2020	$ 0.75	**-**	3,242,101
July 23, 2020	$ 0.75	**-**	1,483,795
July 24, 2020	$ 0.35	**-**	7,000
July 31, 2020	$ 0.75	**-**	572,999
August 2, 2020	$ 0.75	**-**	218,450
January 1, 2021	$ 0.35	**66,419**	66,419
January 4, 2021	$ 0.75	**488,706**	488,706
March 25, 2021	$ 0.75	**192,714**	192,714
May 15, 2021	$ 0.75	**164,474**	164,474
May 22, 2021	$ 0.75	**355,555**	355,555
Total		**1,267,868**	40,202,064
Weighted average remaining contractual life of warrants outstanding at the end of the year		**0.53 years**	

(Expressed in Canadian dollars, except where noted)

13. SHARE CAPITAL (continued)

(e) Performance warrants

On May 18, 2018, the Company issued 4,655,992 non-transferable performance warrants ("Performance Warrant"). Each Performance Warrant is exercisable into one common share of the Company at an exercise price of $0.35 at any time for a period of 36 months following the vesting date. The Performance Warrants vest on the date that is five (5) years from the date of issuance, May 18, 2023.

Prior to the RTO, the Company's functional currency was the USD. As the Performance Warrants are exercisable in the Canadian dollar, the Performance Warrants were accounted for as a derivative liability. Pursuant to the completion of the RTO on May 30, 2019, the Company changed its functional currency from USD to Canadian dollars (consistent with the exercise currency) and as such, the Performance Warrants were no longer considered derivative liabilities. During the year ended August 31, 2019, the Company recognized $4,706,559 with respect to fair value changes on the derivative liability and $8,639,835 with respect to gain on derecognition of derivative liability.

The following table summarizes performance warrants outstanding as at August 31, 2020:

Grant Date	Expiry Date	Number of Performance Warrants	Number of Exercisable Performance Warrants	Weighted Average Exercise Price	Weighted Average Remaining Years
May 18, 2018	May 18, 2026	4,655,992	-	$ 0.35	1.74
Total		**4,655,922**	**-**	**$ 0.35**	**1.74**

The Company recognized share-based compensation expense of $164,004 during the year ended August 31, 2020 (August 31, 2019 - $158,764) with respect to the Performance Warrants.

(f) Share purchase options

A summary of share purchase options is as follows:

	Number of Share Purchase Options	Weighted Average Exercise Price
Balance, August 31, 2018	4,000,000	$ 0.20
Granted	4,988,508	$ 0.23
Cancelled	(3,025,008)	$ 0.23
Balance, August 31, 2019	5,963,500	$ 0.21
Granted	5,978,836	$ 0.10
Expired	(350,000)	$ 0.18
Cancelled/ Forfeited	(4,923,500)	$ 0.20
Balance, August 31, 2020	**6,668,836**	**$ 0.12**

As at August 31, 2020, there were 5,490,265 (August 31, 2019 - 3,621,125) share purchase options vested and exercisable at an average exercise price of $0.12 (August 31, 2019 - $0.23).

(Expressed in Canadian dollars, except where noted)

13. SHARE CAPITAL (continued)

The following table summarizes the share purchase options outstanding as at August 31, 2020 and 2019:

Expiry Date	**Exercise Price**	**August 31, 2020**	August 31, 2019
February 22, 2020	$0.300	**-**	112,500
August 30, 2021	$0.115	**-**	50,000
September 6, 2021	$0.140	**150,000**	-
February 23, 2022	$0.060	**500,000**	-
May 19, 2023	$0.140	**200,000**	-
January 1, 2024	$0.350	**-**	175,000
February 1, 2024	$0.350	**-**	501,000
June 12, 2024	$0.210	**-**	250,000
June 28, 2024	$0.250	**550,000**	550,000
July 29, 2024	$0.200	**500,000**	500,000
August 7, 2024	$0.165	**-**	600,000
August 30, 2024	$0.115	**150,000**	1,225,000
January 16, 2025	$0.140	**350,000**	-
February 6, 2025	$0.085	**3,378,836**	-
May 30, 2028	$0.200	**800,000**	1,500,000
March 30, 2029	$0.350	**-**	500,000
Total		**6,668,836**	5,963,500
Weighted average remaining contractual life of warrants outstanding at the end of the period		**4.29 years**	

The Company recognized share-based compensation expense of $580,136 during the year ended August 31, 2020 (year ended August 31, 2019 - $621,156) with respect to the share purchase options.

The Company granted 5,978,836 stock options during the year ended August 31, 2020 (year ended August 31, 2019 – 4,988,508). The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2020	2019
Risk-free rate	**1.42%**	1.88%
Expected life of options	**4.61 years**	5.00 years
Annualized volatility	**100%**	150%
Dividend rate	**0%**	0%

(Expressed in Canadian dollars, except where noted)

13. SHARE CAPITAL (continued)

(g) Agent options

At August 31, 2020, the following agent options were outstanding, entitling the holders thereof the right to purchase one common share and one half of one share purchase warrant exercisable at $0.75 per warrant for each option held as follows:

Grant Date	Expiry Date	Number of Agent Options	Number of Exercisable Agent Options	Weighted Average Exercise Price	Weighted Average Remaining Years
June 29, 2018	May 30, 2021	378,245	378,245	$ 0.35	0.75
July 31, 2018	May 30, 2021	66,850	66,850	$ 0.35	0.75
Total		**445,095**	**445,095**	**$ 0.35**	**0.75**

(h) Reserves

The following is a summary of changes in reserves:

	Share Purchase Options	Performance Warrants	Contributed Surplus	Total
Balance, August 31, 2018	$ 753,499	$ 49,911	$ -	$ 803,410
Share-based payments	621,156	-	-	621,156
Performance Warrants	-	158,764	-	158,764
Stock options deemed to be issued in RTO	28,160	-	-	28,160
Reclassified on cancellation of stock options	(555,439)	-	555,439	-
Balance, August 31, 2019	847,376	208,675	555,439	1,611,490
Share-based payments	580,136	-	-	580,136
Performance Warrants	-	164,004	-	164,004
Reclassified on cancellation or forfeiture of stock options	(608,523)	-	608,523	-
Balance, August 31, 2020	**$ 818,989**	**$ 372,679**	**$ 1,163,962**	**$ 2,355,630**

(Expressed in Canadian dollars, except where noted)

14. INCOME TAXES

a) Rate reconciliation

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rates to earnings before income taxes. The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2019 - 27%) to the effective tax rate is as follows:

				Year ended August 31,
		2020		2019
Net loss before income taxes	**$**	**(3,436,073)**		(754,431)
Canadian statutory income tax rate		**27%**		27%
Expected income tax recovery at statutory rate	**$**	**(928,000)**	$	(204,000)
Permanent differences and other		**301,000**		(513,000)
Change in deferred income tax assets not recognized		**627,000**		717,000
Deferred income tax recovery	**$**	**-**	$	-

b) Unrecognized deferred tax assets and liabilities

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		August 31, 2020		August 31, 2019
Non-capital loss carry forwards	**$**	**1,644,000**	$	842,000
Acquired branding and leases		**-**		129,000
Share issuance cost		**4,000**		50,000
Deferred income tax assets not recognized		**(1,648,000)**		(1,021,000)
Deferred income tax asset	**$**	**-**	$	-

c) Expiration of income tax loss carry forwards

As at August 31, 2020, the Company has $6,060,529 of Canadian non-capital income tax losses (unrecognized) which will expire over 2031 through 2040, and $32,014 of United States net operating losses (unrecognized) which will expire in 2040.

15. FINANCIAL RISK MANAGEMENT

a) Fair value measurement of financial assets and liabilities

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

15. FINANCIAL RISK MANAGEMENT (continued)

The carrying values of cash, trade and other receivables, promissory note receivable and trade payables and other liabilities approximate their carrying values due to their short-term nature.

As at August 31, 2020 and 2019, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy.

b) Risk Management

The Company examines its various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. The risks may include credit risk, currency risk, liquidity risk and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance., where financially feasible to do so.

When deemed material, these risks may be monitored by the Company's finance group and they are regularly discussed with the Board of Directors.

i. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes amounts owed to the Company by these counterparties, less and amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the consolidated financial statements.

The Company's credit risk is predominantly related to cash balances held in financial institutions, trade receivables and promissory note receivable. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. During the year ended August 31, 2020 the Company recorded expected credit losses of $48,105 (August 31, 2019 - $nil) with respect to the trade and other receivable, $725,220 (August 31, 2019 - $nil) with respect to the promissory note and $139,930 (August 31, 2019 - $nil) with respect to the deferred acquisition cost.

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors.

Cash is only deposited with or held by major financial institutions where the Company conducts its business. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

ii. Currency risk

Currency risk arises from transactions that are denominated in a foreign currency. The Company's functional currency is the Canadian dollar and the Company has exposure to foreign exchange risk from the United States dollars because the Company's subsidiaries are located and operated in the United States. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk. The transactions in US dollars are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency.

(Expressed in Canadian dollars, except where noted)

15. FINANCIAL RISK MANAGEMENT (continued)

At August 31, 2020 US dollar amounts were converted at a rate of USD 1.00 to CAD 1.3042. A 10% increase or decrease in the US Dollar relative to the Canadian Dollar would result in a change of approximately $19,000 in the Company's net loss for the year.

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements and its expansion plans.

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The Company has a concentrations of liquidity risk related to its licensing and rental income receivable of $615,406 (August 31, 2019 - $164,448).

As at August 31, 2020, the Company had a cash balance of $172,107 and current liabilities of $776,883. (August 31, 2019 - $512,777 and $527,558 respectively). The Company's current cash resources are not sufficient to settle its current liabilities.

The following table summarizes the maturity profile of the Company's financial liabilities as at August 31, 2020:

		Total		Within 1 year		1 - 5 years	Greater than 5 years
Maturity analysis of financial liabilities							
Trade payables and other liabilities	$	595,066	$	595,066	$	-	-
Lease liability		344,935		205,333		139,602	-
Total	**$**	**940,001**	**$**	**800,399**	**$**	**139,602**	**-**

iv. Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's notes payable, secured loan payable, convertible notes payable and convertible debentures carry fixed interest rates and as such, the Company is not exposed to interest rate risk.

(Expressed in Canadian dollars, except where noted)

16. CAPITAL RISK MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity which is comprised of issued share capital, reserves, accumulated other comprehensive income and deficit. In the management of capital, the Company includes the components of shareholders' equity, cash, trade and other receivables, trade payables and other liabilities, which are summarized below:

		August 31, 2020		August 31, 2019
Trade payables and other liabilities	**$**	**595,066**	$	527,558
Less:				
Cash		**(172,107)**		(512,777)
Trade and other receivables		**(621,206)**		(401,590)
Net capital		**(198,247)**		(386,809)
Equity		**12,074,006**		6,193,514
Net capital and equity	**$**	**11,875,759**	$	5,806,705

The Company manages its capital structure and adjusts in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements as at August 31, 2020.

17. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key management personnel compensation for the years ended August 31, 2020 and 2019 were as follows:

		year ended August 31,		
		2020		2019
Management fees	**$**	**384,674**	$	385,222
Consulting fees		**5,500**		-
Share-based payments		**291,477**		451,730
	$	**681,651**	$	836,952

Share-based payments are the fair value of options granted to key management personnel as at the grant date.

(Expressed in Canadian dollars, except where noted)

17. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions for the year ended August 31, 2020 and 2019 were as follows:

	Year ended August 31, **2020**	2019
Professional fees	**$ 84,624**	$ 202,632
	$ 84,624	$ 202,632

During the year ended August 31, 2020, the Company incurred $45,971 (year ended August 31, 2019 - $nil) in accounting costs to a firm related to the Chief Financial Officer. The accounting costs are included in professional fees in the consolidated statement of comprehensive loss.

During the year ended August 31, 2020, the Company incurred $38,653 (year ended August 31, 2019 - $97,928) in accounting costs to a firm owned by the former Chief Financial Officer. The accounting costs are included in professional fees in the consolidated statement of comprehensive loss.

During the year ended August 31, 2020, the Company incurred $nil (year ended August 31, 2019 - $104,704) in legal costs to a law firm in which a former director is a partner. The legal costs are included in professional fees in the consolidated statement of comprehensive loss.

During the year ended August 31, 2020, the Company issued 1,500,000 common shares for total fair value consideration of $157,500 as settlement of accounts payable of $75,000 due to related parties which resulted in a loss on debt settlement of $82,500.

Amounts due to related parties as at August 31, 2020 and 2019 are included in trade payables and are as follows:

	August 31, 2020	August 31, 2019
Trade payables and other liabilities	**$ 218,268**	$ 196,442
	$ 218,268	$ 196,442

As at August 31, 2020, included in trade payables and other liabilities is $14,453 (August 31, 2019 - $nil) payable to a Company owned by the Chief Executive Officer of the Company for management fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2020, included in trade payables and other liabilities is $5,381 (August 31, 2019 - $nil) payable to a Company related to the Chief Financial Officer for professional fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2020, included in trade payables and other liabilities is $7,489 (August 31, 2019 - $63,322) payable to a company owned by the former Chief Financial Officer for professional fees. The amount is unsecured, non-interest bearing and due on demand.

17. RELATED PARTY TRANSACTIONS (continued)

As at August 31, 2020, included in trade payables and other liabilities is $14,883 (August 31, 2019 - $29,025) payable to a consulting firm owned by the former Chief Operations Officer for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2020, included in trade payables and other liabilities is $176,062 (August 31, 2019 - $nil) payable to a company owned by the former Chief Executive Officer for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2020, included in trade payables and other liabilities is $nil (August 31, 2019 - $21,000) payable to a former director of the Company for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2020, included in trade payables and other liabilities is $nil (August 31, 2019 - $62,301) payable to a Company owned by the former Chief Executive Officer of the Company for management fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2020, included in trade payables and other liabilities is $nil (August 31, 2019 - $20,794) payable to a company owned by the former President for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

18. EVENTS AFTER THE REPORTING PERIOD

On September 12, 2020, the Company granted stock options to acquire a total of 300,000 common shares of the Company to a consultant and science advisor of the Company. The options are exercisable at a price of $0.08 per common share and expire September 12, 2022. The options are subject to vesting provisions where 200,000 options will vest on assignment of a provisional patent and 100,000 options will vest 25% per quarter commencing September 12, 2020.

On September 21, 2020, the Company completed a first closing of its non-brokered private placement of units (the "Units") for gross proceeds of $831,748 (the "First Tranche Closing"). The First Tranche Closing consisted of the issuance of an aggregate of 10,396,852 Units at a price of $0.08 per Unit. Each Unit consists of one common share in the capital of the Company (each a "Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the subscriber to acquire one additional Share at a price of $0.20 per Warrant until March 31, 2022.

On October 5, 2020, the Company completed its second and final closing of its non-brokered private placement of Units for gross proceeds of $866,499 (the "Second Tranche Closing"). The Second Tranche Closing consisted of the issuance of an aggregate of 10,831,234 Units at a price of $0.08 per Unit. Each Unit consists of Share and one-half of one common share purchase warrant. Each Warrant entitles the subscriber to acquire one additional Share at a price of $0.20 per Warrant until March 31, 2022. The Company paid aggregate finders' fees of $129,640, of which $29,640 was settled through the issuance of 370,498 Units, and 1,620,498 finders' warrants ("Finders Warrants") in connection with the Offering. Each Finders Warrant is exercisable into one Share at an exercise price of $0.20 until October 2, 2023.

18. EVENTS AFTER THE REPORTING PERIOD (continued)

On October 28, 2020, the Company granted stock options to acquire a total of 1,400,000 common shares of the Company to various directors, officers, and consultants of the Company. The options are exercisable at a price of $0.10 per common share and expire three years from the date of grant. The options are subject to vesting provisions where 1,000,000 options will vest immediately, and 400,000 options will vest 25% per quarter commencing October 31, 2020.