



**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended November 30, 2020 and 2019**

(Expressed in Canadian dollars)

(Unaudited)

**Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three months ended November 30, 2020.**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Greenstar Biosciences Corp. for the interim period ended November 30, 2020, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company’s management.

The Company’s independent auditors, Manning Elliott LLP, have not performed a review of these interim financial statements.

January 22, 2021

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars) - Unaudited

	Note	November 30, 2020	August 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 107,091	\$ 172,107
Trade and other receivables	5	664,779	621,206
Prepaid expenses and deposits	6	499,346	377,123
<b>Total current assets</b>		<b>1,271,216</b>	<b>1,170,436</b>
Deposit	8	79,734	78,252
Intangible asset	7	11,012,207	11,085,773
Lease, net of amortization	8	485,027	571,421
Deferred acquisition cost	9	64,825	65,210
<b>Total assets</b>		<b>\$ 12,913,009</b>	<b>\$ 12,971,092</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Trade payables and other liabilities		\$ 184,452	\$ 595,066
Current lease liability	10	186,829	181,817
<b>Total current liabilities</b>		<b>371,281</b>	<b>776,883</b>
Lease liability	10	70,030	120,203
<b>Total liabilities</b>		<b>441,311</b>	<b>897,086</b>
<b>Equity</b>			
Share capital	11(c)	19,963,588	18,524,509
Shares to be issued		-	13,500
Reserves	11(h)	2,599,510	2,355,630
Accumulated other comprehensive (loss) income		(30,445)	(3,870)
Deficit		(10,060,955)	(8,815,763)
<b>Total equity</b>		<b>12,471,698</b>	<b>12,074,006</b>
<b>Total liabilities and equity</b>		<b>\$ 12,913,009</b>	<b>\$ 12,971,092</b>

These consolidated financial statements were approved and authorized for issue by the Board of Directors on January 22, 2021. They are signed on the Company's behalf by:

"Signed"

Jonathan Gilbert, Director

"Signed"

Leighton Bocking, Director

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

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended November 30, 2020 and 2019

(Expressed in Canadian dollars, except share numbers) – Unaudited

	Note	2020	2019
<b>Revenues</b>			
License royalties	7	\$ 69,560	\$ 65,446
Lease	8	111,058	111,478
		<b>180,618</b>	176,924
<b>Operating expenses</b>			
General and administrative		32,946	26,002
Insurance		23,357	41,389
Advertising		603,236	242,718
Rent		9,442	10,960
Research		165,072	-
Professional fees	14	121,136	73,720
Consulting fees	14	221,257	45,007
Management fees	14	39,417	61,921
Interest expense	10	7,261	12,358
Amortization	7	52,544	52,743
Depreciation	8	84,345	84,666
Share-based compensation	11,14	77,560	210,659
		<b>1,437,573</b>	862,143
<b>Loss before other items</b>		<b>(1,256,955)</b>	(685,219)
<b>Other items</b>			
Foreign exchange loss		8,112	11,241
Other income		-	(13,186)
Gain on debt settlement	11(c)	(19,875)	-
<b>Net loss</b>		<b>\$ (1,245,192)</b>	<b>\$ (683,274)</b>
<b>Other comprehensive income</b>			
Foreign currency translation adjustments		(26,575)	(17,498)
<b>Comprehensive loss</b>		<b>\$ (1,271,767)</b>	<b>\$ (700,772)</b>
<b>Net loss per share</b>			
Basic and diluted		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>			
Basic and diluted		<b>143,114,425</b>	68,556,287

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

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended November 30, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

	Note	2020	2019
<b>Operating activities</b>			
Net loss	\$	(1,245,192)	\$ (683,274)
Adjustments for non-cash items:			
Amortization	7	52,544	52,743
Depreciation	8	84,794	84,666
Share-based compensation	11,14	77,560	210,659
Interest income		-	(13,186)
Unrealized foreign exchange loss		(6,141)	(5,266)
Loss on settlement of payables	11(c)	19,875	-
Changes in non-cash working capital items:			
Trade and other receivables		(44,593)	92,727
Prepaid expenses		(121,770)	(1,766)
Trade payables and other liabilities		(402,740)	(95,590)
<b>Net cash used in operating activities</b>		<b>(1,585,663)</b>	<b>(358,287)</b>
<b>Financing activities</b>			
Common shares issued for cash – private placement	11(c)	1,684,747	-
Common shares issued for cash – exercise of warrants	11(c)	-	153,000
Share issue costs	11(c)	(120,973)	-
Repayment of lease liability	10	(44,070)	(37,669)
<b>Net cash provided by financing activities</b>		<b>1,519,704</b>	<b>115,331</b>
Effect of exchange rate changes on cash			
		943	1,241
Decrease in cash		(65,016)	(241,715)
Cash, beginning of period		172,107	512,777
<b>Cash, end of period</b>		<b>\$ 107,091</b>	<b>\$ 271,062</b>

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

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the three months ended November 30, 2020 and 2020  
(Expressed in Canadian dollars, except share numbers) - Unaudited

	Note	Number of shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income	Deficit	Total equity
<b>Balance, August 31, 2019</b>		<b>67,844,199</b>	<b>\$ 9,866,773</b>	<b>\$ -</b>	<b>\$ 1,611,490</b>	<b>\$ 94,941</b>	<b>\$ (5,379,690)</b>	<b>\$ 6,193,514</b>
Shares issued – exercise of warrants	11(c)	1,530,000	153,000	-	-	-	-	153,000
Share-based compensation	11	-	-	-	210,659	-	-	210,659
Comprehensive loss		-	-	-	-	(17,498)	(683,274)	(700,772)
<b>Balance, November 30, 2019</b>		<b>69,374,199</b>	<b>\$ 10,019,773</b>	<b>\$ -</b>	<b>\$ 1,822,149</b>	<b>\$ 77,443</b>	<b>\$ (6,062,964)</b>	<b>\$ 5,856,401</b>
<b>Balance, August 31, 2020</b>		<b>143,114,425</b>	<b>\$ 18,524,509</b>	<b>\$ 13,500</b>	<b>\$ 2,355,630</b>	<b>\$ (3,870)</b>	<b>\$ (8,815,763)</b>	<b>\$ 12,074,006</b>
Shares issued – private placement		21,598,584	1,582,073	(13,500)	116,174	-	-	1,684,747
Shares issued – debt settlement	11(c)	562,500	23,632	-	4,493	-	-	28,125
Share issue costs		-	(166,626)	-	45,653	-	-	(120,973)
Share-based compensation	11	-	-	-	77,560	-	-	77,560
Comprehensive loss		-	-	-	-	(26,575)	(1,245,192)	(1,271,767)
<b>Balance, November 30, 2020</b>		<b>165,275,509</b>	<b>\$ 19,963,588</b>	<b>\$ -</b>	<b>\$ 2,599,510</b>	<b>\$ (30,445)</b>	<b>\$ (10,060,955)</b>	<b>\$ 12,471,698</b>

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

## **LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) – Unaudited

---

#### **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 three months ended November 30, 2020, the Company incurred a net loss of \$1,245,192 (net loss for the three months ended November 30, 2019 - \$683,274). As at November 30, 2020, the Company has an accumulated deficit of \$10,060,955 (August 31, 2020 - \$8,815,763). 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 unaudited condensed interim consolidated financial statements (“interim 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.

# **LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

---

### **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 interim 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”) and interpretations issued by the Financial Reporting Interpretations Committee (“IFRIC”). As such, these interim consolidated financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended August 31, 2021 and 2020 (“annual financial statements”).

These interim consolidated financial statements were authorized for issuance by the Board of Directors on January 22, 2021.

#### **(b) Basis of measurement**

The interim 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 interim 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.



**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**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:

<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Functional Currency</b>
Green Star Biosciences Inc.	Canada	100%	CAD
Green Star Washington LLC	United States	100%	USD
Green Star Biosciences Packing LLC	United States	100%	USD
Eleusian Biosciences Corp <sup>(1)</sup>	Canada	100%	CAD

<sup>(1)</sup> Acquired on July 27, 2020

Capri PHGS, LLC (“Capri”) was dissolved during the three months ended November 30, 2020. Prior to dissolution, Capri was inactive. The dissolution had no impact on the interim financial statements.

**(e) Reclassification of prior year amounts**

The Company has reclassified certain items to improve clarity.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in notes 2 and 3 to the annual financial statements.

**4. INVESTMENT IN ELEUSIAN BIOSCIENCES CORP.**

On July 27, 2020, the Company acquired a 100% interest in Eleusian Biosciences Corp. (“Eleusian”). Eleusian is a research and development Company partnered with a multidisciplinary team of scientists and physicians at the University of Miami and are working to develop effective psilocybin-based therapeutics for the treatment of mild traumatic brain injuries and post-traumatic stress disorder.

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**4. INVESTMENT IN ELEUSIAN BIOSCIENCES CORP. (continued)**

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:

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

**5. TRADE AND OTHER RECEIVABLES**

	<b>November 30, 2020</b>	<b>August 31, 2020</b>
License and rental income	\$ 588,186	\$ 615,406
Sales tax receivable	123,032	52,515
Allowance for doubtful accounts	(46,439)	(46,715)
	<b>\$ 664,779</b>	<b>\$ 621,206</b>

**6. PREPAID EXPENSES AND DEPOSITS**

	<b>November 30, 2020</b>	<b>August 31, 2020</b>
Advertising	\$ 431,390	\$ 333,984
Insurance	5,388	7,833
Rent	3,700	8,425
Other	58,868	26,881
	<b>\$ 499,346</b>	<b>\$ 377,123</b>

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**7. INTANGIBLE ASSET**

	November 30, 2020	August 31, 2020
<b>Cost</b>		
Balance, beginning of period	\$ 11,558,827	\$ 4,261,570
Additions	-	7,385,387
Unrealized foreign exchange loss	(24,690)	(88,130)
<b>Balance, end of period</b>	<b>11,534,137</b>	11,558,827
<b>Accumulated depreciation</b>		
Balance, beginning of period	473,054	269,331
Amortization	52,544	215,900
Unrealized foreign exchange loss	(3,668)	(12,177)
<b>Balance, end of period</b>	<b>521,930</b>	473,054
<b>Carrying amount</b>	<b>\$ 11,012,207</b>	\$ 11,085,773

On July 27, 2020, the Company acquired a 100% interest in Eleusian. Purchase consideration of \$7,385,387 was assigned to intellectual property. This intellectual property is not ready for its intended use; therefore, no amortization has been recorded as at November 30, 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 three months ended November 30, 2020, the Company recognized \$69,560 (USD\$52,809) (three months ended November 30, 2019 - \$65,446 (USD\$49,498)) in licensing royalties earned pursuant to the License Agreement.

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**8. 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 \$79,734 (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.

	<b>November 30, 2020</b>	August 31, 2020
Balance, beginning of period	\$ 571,421	\$ 457,178
Adoption of IFRS 16	-	485,279
Depreciation	<b>(84,794)</b>	345,581
Unrealized foreign exchange loss	<b>(1,600)</b>	(25,455)
Balance, end of period	<b>\$ 485,027</b>	\$ 571,421

During the three months ended November 30, 2020, the Company recognized \$111,058 (USD\$84,313) (three months ended November 30, 2019 - \$111,478 (USD\$84,313)) in lease revenues earned pursuant to the Lease Purchase Agreement.

**9. 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 \$140,315 (USD\$50,000) representing an allowance for credit losses on the initial advance.

**10. LEASE LIABILITY**

	<b>November 30, 2020</b>	August 31, 2020
Balance, beginning of period	\$ 302,020	\$ -
Adoption of IFRS 16	-	485,279
Repayment of lease obligation	<b>(51,331)</b>	(205,693)
Interest expense	<b>7,261</b>	43,048
Unrealized foreign exchange loss	<b>(1,091)</b>	(20,614)
Balance, end of period	<b>256,859</b>	302,020
Less: Non-current portion	<b>70,030</b>	120,203
Current portion of lease liability	<b>\$ 186,829</b>	\$ 181,817

## **LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

---

#### **11. 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 subject to trading restrictions and escrow which are released in tranches through 2020. As at November 30, 2020, 53,761,614 common shares were subject to these escrow restrictions (August 31, 2020 - 53,761,614).

##### **(c) Issued**

The Company has the following common share transactions during the three months ended November 30, 2020:

- On September 18, 2020, the Company issued 562,500 units. Each unit consists of one common share and one-half of one common share purchase warrant (each whole warrant a "Warrant"). The common shares had a fair value of \$0.05 per common share for total fair value consideration of \$28,125 as settlement of trade payables in the amount of \$45,000. The transaction resulted in a gain on debt settlement of \$16,875. Each Warrant entitles the subscriber to acquire one additional Share at a price of \$0.20 per Warrant until March 22, 2022. A fair value of \$4,493 was assigned to the warrants issued using the Black-Scholes valuation model (average volatility 100%, expected life 1.48 years, risk free rate 0.23%).
- On September 18, 2020, the Company issued 10,396,852 units pursuant to a non-brokered private placement at \$0.08 per unit for gross proceeds of \$769,382. Each Unit consists of one common 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. A fair value of \$37,574 was assigned to the warrants issued using the Black-Scholes valuation model (average volatility 100%, expected life 1.53 years, risk free rate 0.24%).
- On October 21, 2020, the Company issued 11,201,732 units pursuant to a non-brokered private placement at \$0.08 per unit for gross proceeds of \$928,865. Each Unit consists of one common share and one Warrant. Each Warrant entitles the subscriber to acquire one additional Share at a price of \$0.20 per Warrant until March 31, 2022. A fair value of \$78,600 was assigned to the warrants issued using the Black-Scholes valuation model (average volatility 100%, expected life 1.49 years, risk free rate 0.22%). The Company paid aggregate finders' fees of \$120,973 and issued 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. A fair value of \$45,653 was assigned to the Finders Warrants issued using the Black-Scholes valuation model (average volatility 100%, expected life 3.00 years, risk free rate 0.22%).

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.

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**11. SHARE CAPITAL (continued)**

- 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 4).

**(d) Share purchase warrants**

A summary of share purchase warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
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
Issued	12,701,040	\$ 0.20
<b>Balance, November 30, 2020</b>	<b>13,968,908</b>	<b>\$ 0.24</b>

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**11. SHARE CAPITAL (continued)**

The share purchase warrants outstanding and exercisable at November 30, 2020 and August 31, 2020 have the following expiry date and exercise prices:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>November 30, 2020</b>	<b>August 31, 2020</b>
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
March 22, 2022	\$ 0.20	281,250	-
March 31, 2022	\$ 0.20	10,799,292	-
October 2, 2023	\$ 0.20	1,620,498	-
<b>Total</b>		<b>13,968,908</b>	<b>1,267,868</b>
<b>Weighted average remaining contractual life of warrants outstanding at the end of the period</b>		<b>1.38 years</b>	<b>0.53 years</b>

**(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.

Prior to the RTO, the Company's function 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 RTO, 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.

The following table summarizes performance warrants outstanding as at November 30, 2020:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of Performance Warrants</b>	<b>Number of Exercisable Performance Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Years</b>
May 18, 2018	May 18, 2026	4,655,992	4,655,992	\$ 0.35	1.49
<b>Total</b>		<b>4,655,922</b>	<b>4,655,992</b>	<b>\$ 0.35</b>	<b>1.49</b>

The Company recognized share-based compensation expense of \$41,001 during the three months ended November 30, 2020, (three months ended November 30, 2019 - \$41,001) with respect to the Performance Warrants.

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**11. SHARE CAPITAL (continued)****(a) Share purchase options**

A summary of share purchase options is as follows:

	Number of Share Purchase Options	Weighted Average Exercise Price
Balance, August 31, 2019	5,963,500	\$ 0.21
Granted	5,978,836	\$ 0.10
Expired	(350,000)	\$ 0.18
Cancelled	(4,923,500)	\$ 0.20
Balance, August 31, 2020	6,668,836	\$ 0.12
Granted	1,700,000	\$ 0.10
<b>Balance, November 30, 2020</b>	<b>8,368,836</b>	<b>\$ 0.10</b>

As at November 30, 2020 there were 7,236,694 (August 31, 2020 - 5,468,836) share purchase options vested and exercisable at an average exercise price of \$0.11 (August 31, 2020 - \$0.12).

The following table summarizes the share purchase options outstanding as at November 30, 2020 and August 31, 2020:

Expiry Date	Exercise Price	November 30, 2020	August 31, 2020
September 6, 2021	\$ 0.200	150,000	150,000
February 23, 2022	\$ 0.060	500,000	500,000
September 12, 2022	\$ 0.080	300,000	-
May 19, 2023	\$ 0.140	200,000	200,000
October 19, 2023	\$ 0.100	1,400,000	-
June 28, 2024	\$ 0.250	550,000	550,000
July 29, 2024	\$ 0.200	500,000	500,000
August 30, 2024	\$ 0.115	150,000	150,000
January 16, 2025	\$ 0.140	350,000	350,000
February 6, 2025	\$ 0.085	3,378,836	3,378,836
May 30, 2028	\$ 0.200	890,000	890,000
<b>Total</b>		<b>8,368,836</b>	<b>6,668,836</b>
<b>Weighted average remaining contractual life of warrants outstanding at the end of the period</b>		<b>3.87 years</b>	4.29 years

The Company recognized share-based compensation expense of \$36,559 during the three months ended November 30, 2020, (three months ended November 30, 2019 - \$169,658) with respect to the share purchase options.

The Company granted 1,700,000 options during the three months ended November 30, 2020, (2019 - 800,000).



**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**11. SHARE CAPITAL (continued)**

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	0.31%	1.88%
Expected life of options	2.82 years	5.00 years
Annualized volatility	100%	150%
Dividend rate	0%	0%

**(b) Agent options**

At November 30, 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 31, 2021	378,245	378,245	\$ 0.35	0.50
July 31, 2018	May 31, 2021	66,850	66,850	\$ 0.35	0.50
<b>Total</b>		<b>445,095</b>	<b>445,095</b>	<b>\$ 0.35</b>	<b>0.50</b>

**(c) Reserves**

The following is a summary of changes in reserves:

	Share Purchase Options	Performance Warrants	Share Purchase Warrants	Contributed Surplus	Total
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
Share-based payments	36,559	-	-	-	77,560
Share purchase warrants	-	-	166,320	-	166,320
Performance Warrants	-	41,001	-	-	-
<b>Balance, November 30, 2020</b>	<b>\$ 855,548</b>	<b>\$ 413,680</b>	<b>166,320</b>	<b>\$ 1,163,962</b>	<b>\$ 2,599,510</b>

## LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

## 12. FINANCIAL RISK MANAGEMENT

### Fair value measurement of financial assets and liabilities

IFRS 13 – *Fair Value Measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted 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.

The fair value of cash is measured using Level 1 inputs. The carrying values of trade and other receivables, prepaid expenses, promissory note receivable, and trade payables and other liabilities approximate their respective fair values due to the short-term nature of these instruments.

## 12. 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:

	November 30, 2020		August 31, 2020	
Trade payables and other liabilities	\$	184,452	\$	595,066
Less:				
Cash		(107,091)		(172,107)
Trade and other receivables		(664,779)		(621,206)
Net capital		(587,418)		(198,247)
Shareholders' equity		12,471,698		12,074,006
Net capital and shareholders' equity	\$	11,884,280	\$	11,875,759

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 November 30, 2020.

**LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

**13. 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 three months ended November 30, 2020 and 2019 were as follows:

	<b>2020</b>	2019
Management fees	\$ 105,846	\$ 59,472
Consulting fees	-	16,500
Share-based payments	<b>8,544</b>	-
	<b>\$ 114,390</b>	<b>\$ 75,972</b>

During the three months ended November 30, 2020, the Company incurred \$105,846 (three months ended November 30, 2019 - \$nil) in management fees to a Company owned by the Chief Executive Officer. The management fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three months ended November 30, 2020, the Company incurred \$nil (2019 - \$59,472) in management fees to a firm owned by the former Chief Executive Officer. The management fees are included in management fees in the consolidated statement of comprehensive loss.

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

Other related party transactions for the three months ended November 30, 2020 and 2019 were as follows:

	<b>2020</b>	2019
Professional fees	\$ 25,933	\$ 36,523
	<b>\$ 25,933</b>	<b>\$ 36,523</b>

During the three months ended November 30, 2020, the Company incurred \$25,933 (three months ended November 30, 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 three months ended November 30, 2020, the Company incurred \$nil (2019 - \$36,523) 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.

Due to related parties as at November 30, 2020 and August 31, 2020 were as follows:

	<b>November 30, 2020</b>	August 31, 2020
Trade payables and other liabilities	\$ 27,492	\$ 218,268
	<b>\$ 27,492</b>	<b>\$ 218,268</b>

## **LOBE SCIENCES LTD. (FORMERLY GREENSTAR BIOSCIENCES CORP.)**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

November 30, 2020 and 2019

(Expressed in Canadian dollars, except where noted) - Unaudited

---

#### **13. RELATED PARTY TRANSACTIONS (continued)**

As at November 30, 2020, included in trade payables and other liabilities is \$21,788 (August 31, 2020 - \$14,453) 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 November 30, 2020, included in trade payables and other liabilities is \$5,704 (August 31, 2020 - \$5,381) 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 November 30, 2020, included in trade payables and other liabilities is \$nil (August 31, 2020 - \$7,489) 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.

As at November 30, 2020, included in trade payables and other liabilities is \$nil (August 31, 2020 - \$14,883) 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 November 30, 2020, included in trade payables and other liabilities is \$nil (August 31, 2020 - \$176,062) 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.

#### **14. EVENTS AFTER THE REPORTING PERIOD**

On December 23, 2020, the Company completed a first closing of its non-brokered private placement of units (the "Units") for gross proceeds of \$2,327,100 (the "First Tranche Closing"). The First Tranche Closing consisted of the issuance of an aggregate of 23,271,000 Units at a price of \$0.10 per Unit. Each Unit consists of one common share in the capital of the Company (each a "Share") and one common share purchase warrant (each a "Warrant"). Each Warrant entitles the subscriber to acquire one additional Share at a price of \$0.25 per Warrant until December 31, 2022.

On January 6, 2020, the Company completed a second and final closing of its non-brokered private placement of units (the "Units") for gross proceeds of \$3,445,847 (the "Second Tranche Closing"). The Second Tranche Closing consisted of the issuance of an aggregate of 11,187,475 Units at a price of \$0.10 per Unit. Each Unit consists of one Share and one Warrant. Each Warrant entitles the subscriber to acquire one additional Share at a price of \$0.25 per Warrant until January 31, 2022.

On January 15, 2020, the Company granted stock options to acquire a total of 7,400,000 common shares of the Company to various directors, officers, and consultants of the Company. The stock options are exercisable at a price of \$0.15 per common share and expire three years from the date of grant. The stock options are subject to vesting provisions were 5,400,000 stock options will vest immediately, and 2,000,000 stock options will vest with 12.5% vesting on the date of grant and 12.5% vesting every quarter thereafter.

On January 1, 2021, 66,419 share purchase warrants with an exercise price of \$0.35 expired unexercised.

On January 4, 2021, 488,706 share purchase warrants with an exercise price of \$0.75 expired unexercised.