



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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and six months ended February 28, 2021 and February 29, 2020**

(Expressed in Canadian dollars)

(Unaudited)

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

	Note	February 28, 2021	August 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,798,136	\$ 172,107
Receivables	6	153,234	621,206
Prepaid expenses and deposits	7	205,784	377,123
		<b>2,157,154</b>	<b>1,170,436</b>
Deposit	9	-	78,252
Intangible assets	8	7,385,337	11,085,773
Lease, net of amortization	9	-	571,421
Deferred acquisition cost	10	63,425	65,210
Assets held for sale	12	4,525,161	-
<b>Total assets</b>		<b>\$ 14,131,077</b>	<b>\$ 12,971,092</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	16	\$ 248,976	595,066
Current lease liability	11	-	181,817
		<b>248,976</b>	<b>776,883</b>
Lease liability	11	-	120,203
Liabilities held for sale	12	207,800	-
<b>Total liabilities</b>		<b>456,776</b>	<b>897,086</b>
<b>Equity</b>			
Share capital	13(c)	21,746,115	18,524,509
Shares to be issued		-	13,500
Reserves	13(h)	4,693,802	2,355,630
Accumulated other comprehensive loss		(129,529)	(3,870)
Deficit		(12,636,087)	(8,815,763)
<b>Total Equity</b>		<b>13,674,301</b>	<b>12,074,006</b>
<b>Total liabilities and equity</b>		<b>\$ 14,131,077</b>	<b>\$ 12,971,092</b>

Nature of operations and going concern (Note 1)

Events after the reporting period (Note 17)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 23, 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 and six months ended February 28, 2021 and February 29, 2020

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

	Note	February 28, 2021	Three months ended, February 29, 2020	February 28, 2021	Six months ended, February 29, 2020
<b>Operating expenses</b>					
General and administrative		\$ 21,947	\$ 14,446	\$ 54,893	\$ 40,448
Insurance		22,352	25,478	45,709	66,867
Advertising		849,528	452,532	1,452,764	695,250
Rent expense		3,524	4,500	8,024	9,000
Research		566,770	-	731,842	-
Professional fees	16	140,445	97,261	261,581	170,981
Consulting fees	16	348,855	10,295	570,112	55,302
Management fees	16	57,384	66,683	96,801	128,604
Share-based compensation	13,16	493,478	471,659	571,038	682,318
		<b>2,504,283</b>	<b>1,142,854</b>	<b>3,792,764</b>	<b>1,848,770</b>
Loss before other items		<b>(2,504,283)</b>	<b>(1,142,854)</b>	<b>(3,792,764)</b>	<b>(1,848,770)</b>
<b>Other items</b>					
Foreign exchange loss		64,460	7,234	72,572	18,475
Other income		-	(9,531)	-	(22,717)
Loss (gain) on debt settlement	13(c)	4,500	-	(15,375)	-
		<b>68,960</b>	<b>(2,297)</b>	<b>57,197</b>	<b>(4,242)</b>
Net loss from continuing operations		\$ (2,573,243)	\$ (1,140,557)	\$ (3,849,961)	\$ (1,844,528)
Net income (loss) from discontinued operations	4	(1,889)	141,355	29,637	162,052
<b>Net loss</b>		<b>(2,575,132)</b>	<b>(999,202)</b>	<b>(3,820,324)</b>	<b>(1,682,476)</b>
<b>Other comprehensive income</b>					
Translation adjustment		(99,084)	55,611	(125,659)	38,113
<b>Comprehensive loss</b>		<b>\$ (2,674,216)</b>	<b>(943,591)</b>	<b>\$ (3,945,983)</b>	<b>\$ (1,644,363)</b>
<b>Net loss per share from continuing operations</b>					
Basic and Diluted		\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.03)
<b>Earnings (loss) per share from discontinued operations</b>					
Basic and Diluted		\$ (0.00)	\$ 0.00	\$ 0.00	\$ 0.00
<b>Weighted average number of shares outstanding</b>					
Basic and Diluted		<b>169,459,942</b>	<b>68,556,287</b>	<b>174,113,530</b>	<b>68,933,823</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 CASH FLOWS**

For the three and six months ended February 28, 2021 and February 29, 2020

(Expressed in Canadian dollars) - Unaudited

	Note	2021	2020
<b>Operating activities</b>			
Net loss from continuing operations	\$	(3,849,961)	\$ (1,844,528)
Adjustments for non-cash items:			
Share-based compensation	13,16	571,038	682,318
Interest income		-	(22,717)
Unrealized foreign exchange gain		(16,886)	(7,472)
Loss on settlement of accounts payable	13(c)	(15,375)	-
Changes in non-cash working capital items:			
Receivables		(100,719)	35,252
Prepaid expenses and deposits		164,442	359,104
Accounts payable and accrued liabilities		(300,920)	(61,855)
<b>Net cash used in operating activities of continuing operations</b>		<b>(3,548,381)</b>	<b>(859,898)</b>
<b>Net cash provided by operating activities of discontinued operations</b>	4	<b>289,189</b>	<b>290,852</b>
<b>Financing activities</b>			
Common shares issued for cash – private placement	13(c)	5,068,088	-
Common shares issued for cash – exercise of warrants	13(c)	-	293,000
Share issue costs	13(c)	(120,973)	-
Repayment of lease liability	11	(87,815)	(76,155)
<b>Net cash provided by financing activities</b>		<b>4,859,300</b>	<b>216,845</b>
Effect of exchange rate changes on cash		25,921	(1,698)
Increase (decrease) in cash		1,626,029	(353,899)
Cash, beginning of period		172,107	512,777
<b>Cash, end of period</b>	\$	<b>1,798,136</b>	\$ 158,878

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 and six months ended February 28, 2021 and February 29, 2020  
(Expressed in Canadian dollars, except share numbers) - Unaudited

	Note	Number of shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	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	13(c)	2,930,000	293,000	-	-	-	-	293,000
Shares issued – debt settlement	13(c)	507,692	66,000	-	-	-	-	66,000
Shares cancelled	13(c)	(4,568,524)	(228,426)	-	-	-	228,426	-
Share-based compensation	13	-	-	-	682,318	-	-	682,318
Comprehensive loss		-	-	-	-	38,113	(1,682,476)	(1,644,363)
<b>Balance, February 29, 2020</b>		<b>66,713,367</b>	<b>\$ 9,997,347</b>	<b>\$ -</b>	<b>\$ 2,293,808</b>	<b>\$ 133,054</b>	<b>\$ (6,833,740)</b>	<b>\$ 5,590,469</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	13(c)	56,057,059	3,456,746	(13,500)	1,716,988	-	-	5,160,234
Shares issued – debt settlement	13(c)	562,500	23,632	-	4,493	-	-	28,125
Share issue costs	13(c)	-	(258,772)	-	45,653	-	-	(213,119)
Share-based compensation	13	-	-	-	571,038	-	-	571,038
Comprehensive loss		-	-	-	-	(125,659)	(3,820,324)	(3,945,983)
<b>Balance, February 28, 2021</b>		<b>199,733,984</b>	<b>\$ 21,746,115</b>	<b>\$ -</b>	<b>\$ 4,693,802</b>	<b>\$ (129,529)</b>	<b>\$ (12,636,087)</b>	<b>\$ 13,674,301</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**

February 28, 2021 and February 29, 2020

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

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#### **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 working to develop psychedelic compounds as therapeutics. Initially the Company will develop psilocybin-based therapeutics in combination with N-acetylcysteine for the treatment of mild traumatic brain injuries and post-traumatic stress disorder and devices for the efficient application of these medications. The Company also owns acquired brands, intellectual property and leases office and production premises to a cannabis processor and retailer which were subsequently disposed of on March 5, 2021 (Note 17(a)).

#### **Going concern**

During the three and six months ended February 28, 2021, the Company incurred a net loss from continuing operations of \$2,573,243 and \$3,849,961, respectively (net loss from continuing operations for the three and six months ended February 29, 2020 - \$1,140,557 and \$1,844,528, respectively). As at February 28, 2021, the Company has an accumulated deficit of \$12,636,087 (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.A. federal laws against cannabis is subject to change. Because the Company engages in cannabis related activities in the U.S.A., 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 U.S.A. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S.A. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S.A 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.

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

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

February 28, 2021 and February 29, 2020

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

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN (continued)**

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.

#### **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 condensed interim consolidated financial statements of the Company have been prepared in accordance with IAS 34, *Interim Financial Reporting* under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As such, these condensed 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, 2020 and 2019 (“annual financial statements”).

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on April 23, 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”.

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

February 28, 2021 and February 29, 2020

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

**2. BASIS OF PRESENTATION (continued)****(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.

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%	USD
Green Star Washington LLC <sup>(1)</sup>	United States	100%	USD
Green Star Biosciences Packing LLC <sup>(2)</sup>	United States	100%	USD
Eleusian Biosciences Corp <sup>(3)</sup>	Canada	100%	CAD

<sup>(1)</sup> Green Star Washington LLC (“Washington”) was dissolved on March 17, 2021 (Note 17(c)).

<sup>(2)</sup> Green Star Biosciences Packing LLC (“Packing”) was dissolved on March 8, 2021 (Note 17(b)).

<sup>(3)</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 except as noted below.

**(a) Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured as the lower of their carrying amount and fair value less costs to sell.



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

February 28, 2021 and February 29, 2020

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Discontinued operations**

A discontinued operation is a component of the Company that either has been abandoned, disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operation; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or (iii) is a subsidiary acquired exclusively with a view to resell. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

**4. DISCONTINUED OPERATIONS**

On February 22, 2021, the Company signed a definitive binding asset purchase agreement (the “Agreement”) with Ionic Brands Corp (“Ionic”) with respect to the sale to Ionic of certain assets relating to Washington-based Cowlitz County Cannabis Cultivators LLC (“Cowlitz”) including license and rental income receivable (Note 6), Intellectual Property Purchase Agreement (“IPPA”) (Note 8), lease deposit (Note 9) and Lease Purchase Agreement (Note 9). Management has determined that the assets and associated lease liability (Note 11) represent a disposal group (the “Cowlitz Disposal Group”). The assets and liabilities associated with the Cowlitz Disposal Group have been classified as held for sale (Note 12) as it is highly probable at February 28, 2021 that they will be recovered primarily through sale rather than through continuing use as evidenced by the completed sale on March 5, 2021 (Note 17(a)).

Pursuant to the classification of the Cowlitz Disposal Group as held for sale, the Company recognized the net income (loss) and cash flows associated with these assets and liabilities as discontinued operations. The net income (loss) associated with the discontinued operations for the three and six months ended February 28, 2021 and February 29, 2020 are summarized below:

		Three months ended,		Six months ended,	
	Note	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
<b>Revenues</b>					
License royalties	8	\$ 34,746	\$ 184,637	\$ 104,306	\$ 250,083
Lease	9	107,457	111,100	218,515	222,578
		<b>142,203</b>	295,737	<b>322,821</b>	472,661
<b>Operating expenses</b>					
Rent expense	9	4,782	6,438	9,724	12,898
Interest expense	11	5,950	11,370	13,211	23,728
Amortization	8	50,281	52,564	102,825	105,307
Depreciation	9	82,057	83,939	166,402	168,605
		<b>143,070</b>	154,311	<b>292,162</b>	310,538
<b>Other items</b>					
Foreign exchange loss		1,022	71	1,022	71
<b>Net income (loss) from discontinued operations</b>		<b>\$ (1,889)</b>	\$ 141,355	<b>\$ 29,637</b>	\$ 162,052

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2021 and February 29, 2020

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

**4. DISCONTINUED OPERATIONS (continued)**

The cash flows associated with the discontinued operations for the six months ended February 28, 2021 and February 29, 2020 are summarized below:

	Six months ended	
	February 28, 2021	February 29, 2020
<b>Operating activities</b>		
Net income from discontinued operations	\$ 29,637	\$ 162,052
Adjustments for non-cash items:		
Amortization	102,825	105,307
Depreciation	166,402	168,605
Changes in non-cash working capital items:		
Receivables	(9,675)	(145,112)
Net cash provided by discontinued operations	\$ 289,189	290,852

**5. 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.

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>\$</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>\$</b>	<b>7,624,127</b>

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2021 and February 29, 2020

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

**6. TRADE AND OTHER RECEIVABLES**

	February 28, 2021	August 31, 2020
License and rental income	\$ -	\$ 615,406
Sales tax receivable	153,234	52,515
Allowance for doubtful accounts	-	(46,715)
	<b>\$ 153,234</b>	<b>\$ 621,206</b>

As of February 28, 2021, \$557,672 in license and rental income receivable was transferred to Assets held for sale (Note 12).

Sales tax receivable is comprised of Goods and Services Tax receivable from the Canadian government.

**7. PREPAID EXPENSES AND DEPOSITS**

	February 28, 2021	August 31, 2020
Advertising	\$ 107,500	\$ 333,984
Insurance	3,260	7,833
Deposits	71,054	-
Rent	-	8,425
Other	23,970	26,881
	<b>\$ 205,784</b>	<b>\$ 377,123</b>

The deposits of \$71,054 as at February 28, 2021 relate to costs incurred in relation to the Agreement (Note 17(a)). The amounts will be recognized as an expense to offset the gain on sale of the Cowlitz Disposal Group during the three months ended May 31, 2021.

**8. INTANGIBLE ASSETS**

	February 28, 2021	August 31, 2020
<b>Cost</b>		
Balance, beginning of period	\$ 11,558,827	\$ 4,261,570
Additions	-	7,385,387
Unrealized foreign exchange loss	(114,290)	(88,130)
Transfer to assets held for sale	(4,059,200)	
<b>Balance, end of period</b>	<b>7,385,337</b>	<b>11,558,827</b>
<b>Accumulated depreciation</b>		
Balance, beginning of period	473,054	269,331
Amortization	102,825	215,900
Unrealized foreign exchange loss	(15,176)	(12,177)
Transfer to assets held for sale	(560,703)	-
<b>Balance, end of period</b>	<b>-</b>	<b>473,054</b>
<b>Carrying amount</b>	<b>\$ 7,385,337</b>	<b>\$ 11,085,773</b>

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

February 28, 2021 and February 29, 2020

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

**8. INTANGIBLE ASSETS (continued)****Intellectual Property**

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 February 28, 2021.

**Intellectual Property Purchase Agreement**

On May 17, 2018, the Company entered into an Intellectual Property Purchase Agreement (“IPPA”) with 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).

On 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 and six months ended February 28, 2021, the Company recognized \$34,746 (USD\$27,262) and \$104,306 (USD\$80,071), respectively (three and six months ended February 29, 2020 - \$184,637 (USD\$139,496) and \$250,083 (USD\$188,994), respectively) in licensing royalties earned pursuant to the License Agreement.

As of February 28, 2021, the IPPA with a carrying amount of \$3,498,497 was transferred to assets held for sale (Note 12).

**9. 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 \$76,110 (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>February 28, 2021</b>	<b>August 31, 2020</b>
Balance, beginning of period	\$ 571,421	\$ 457,178
Adoption of IFRS 16	-	485,279
Depreciation	<b>(166,402)</b>	(345,581)
Unrealized foreign exchange loss	<b>(12,137)</b>	(25,455)
Transfer to assets held for sale	<b>(392,882)</b>	-
Balance, end of period	\$ -	\$ 571,421

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**9. LEASE (continued)**

During the three and six months ended February 28, 2021, the Company recognized \$107,457 (USD\$84,313) and \$218,515 (USD\$168,627), respectively (three and six months ended February 29, 2020 - \$111,100 (USD\$84,313) and \$222,578 (USD\$168,626), respectively) in lease revenues earned pursuant to the Lease Purchase Agreement.

As of February 28, 2021, the Lease Purchase Agreement with a carrying amount of \$392,882 and lease deposit with a carrying amount of \$76,110 were transferred to assets held for sale (Note 12).

For the three and six months ended February 28, 2021 the company recognized rent expense of \$8,306 and \$17,748, respectively (three and six months ended February 29, 2020 - \$10,938 and \$21,898, respectively) related a short-term lease for office space and variable common area costs.

**10. 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) representing an allowance for credit losses on the initial advance.

**11. LEASE LIABILITY**

	<b>February 28, 2021</b>	August 31, 2020
Balance, beginning of period	\$ 302,020	\$ -
Adoption of IFRS 16	-	485,279
Repayment of lease obligation	<b>(101,026)</b>	(205,693)
Interest expense	<b>13,211</b>	43,048
Unrealized foreign exchange loss	<b>(6,405)</b>	(20,614)
Transfer to liabilities held for sale	<b>(207,800)</b>	-
Balance, end of period	-	302,020
Less: Non-current portion	-	120,203
Current portion of lease liability	\$ -	\$ 181,817

As of February 28, 2021, the lease liability with a carrying amount of \$207,800 was transferred to assets held for sale (Note 12).

**12. ASSETS AND LIABILITIES HELD FOR SALE**

On February 22, 2021, the Company signed an Agreement with Ionic with respect to the sale to Ionic of the Cowlitz Disposal Group (Note 4). In accordance with IFRS 5 assets held for sale are measured at the lower of their carrying value and their fair value less costs to sell.

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**12. ASSETS AND LIABILITIES HELD FOR SALE (continued)**

Management estimated the fair value less costs to sell based on the signed Agreement (Note 17(a)) exceeds the carrying value and therefore the assets and liabilities held for sale are measured at their carrying values.

As at February 28, 2021 assets held for sale were comprised of the following:

	February 28, 2021	August 31, 2020
Balance, beginning of the period	\$ -	\$ -
Transfer from receivables	557,672	-
Transfer from prepaid expenses and deposits	76,110	-
Transfer from intangible asset, net	3,498,497	-
Transfer from lease, net	392,882	-
Balance, end of the period	\$ 4,525,161	\$ -

As at February 28, 2021 liabilities held for sale were comprised of the following:

	February 28, 2021	August 31, 2020
Balance, beginning of the period	\$ -	\$ -
Transfer from lease liability	207,800	-
Balance, end of the period	\$ 207,800	\$ -

**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 subject to trading restrictions and escrow which are released in tranches through 2020. As at February 28, 2021, 15,800,266 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 six months ended February 28, 2021:

- 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 \$831,748. 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%).

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#### **13. SHARE CAPITAL (continued)**

- On October 2, 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 October 2, 2020, the Company issued 11,201,732 units pursuant to a non-brokered private placement at \$0.08 per unit for gross proceeds of \$896,139. 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 \$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%).
- On December 23, 2020, the Company issued 23,271,000 units pursuant to the first tranche closing of a non-brokered private placement at \$0.10 per unit for gross proceeds of \$2,327,100. Each Unit consists of one common share and one common share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the subscriber to acquire one additional Share at a price of \$0.25 per Warrant until December 22, 2022. A fair value of \$1,103,600 was assigned to the warrants issued using the Black-Scholes valuation model (average volatility 100%, expected life 2.00 years, risk free rate 0.22%).
- On January 5, 2021, the Company issued 11,187,475 units pursuant to the second and final tranche closing of a non-brokered private placement at \$0.10 per unit for gross proceeds of \$1,118,747. Each Unit consists of one common share and one common share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the subscriber to acquire one additional Share at a price of \$0.25 per Warrant until January 5, 2023. A fair value of \$497,214 was assigned to the warrants issued using the Black-Scholes valuation model (average volatility 100%, expected life 2.00 years, risk free rate 0.19%).

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.

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**13. SHARE CAPITAL (continued)**

- 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:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
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	47,159,515	0.24
Expired	(555,125)	0.70
<b>Balance, February 28, 2021</b>	<b>47,872,258</b>	<b>0.24</b>



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**13. SHARE CAPITAL (continued)**

The share purchase warrants outstanding and exercisable at February 28, 2021 and August 31, 2020 have the following expiry date and exercise prices:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>February 28, 2021</b>	<b>August 31, 2020</b>
January 1, 2021	\$0.35	-	66,419
January 4, 2021	\$0.75	-	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	-
December 22, 2022	\$0.25	23,271,000	-
January 5, 2023	\$0.25	11,187,475	-
October 2, 2023	\$0.20	1,620,498	-
<b>Total</b>		<b>47,872,258</b>	<b>1,267,868</b>
<b>Weighted average remaining contractual life of warrants outstanding at the end of the period</b>		<b>1.65 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 February 28, 2021:

<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 and \$82,002 during the three and six months ended February 28, 2021, respectively (three and six months ended February 29, 2020 - \$41,001 and \$82,002, respectively) with respect to the Performance Warrants.

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**13. SHARE CAPITAL (continued)**

**(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, 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	9,525,000	\$ 0.14
<b>Balance, February 28, 2021</b>	<b>16,193,836</b>	<b>\$ 0.14</b>

As at February 28, 2021 there were 13,768,836 (August 31, 2020 - 5,490,265) share purchase options vested and exercisable at an average exercise price of \$0.13 (August 31, 2020 - \$0.12).

The following table summarizes the share purchase options outstanding as at February 28, 2021 and August 31, 2020:

Expiry Date	Exercise Price	February 28, 2021	August 31, 2020
September 6, 2021	\$ 0.200	150,000	150,000
February 24, 2022	\$ 0.060	500,000	500,000
September 12, 2022	\$ 0.080	300,000	-
February 12, 2023	\$ 0.170	225,000	-
February 23, 2023	\$ 0.230	200,000	-
May 19, 2023	\$ 0.140	200,000	200,000
October 19, 2023	\$ 0.100	1,400,000	-
January 15, 2024	\$ 0.150	7,400,000	-
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>16,193,836</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 \$452,477 and \$489,036 during the three and six months ended February 29, 2021, respectively (three and six months ended February 29, 2020 - \$430,658 and \$682,318, respectively) with respect to the share purchase options.

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**13. SHARE CAPITAL (continued)**

The Company granted 9,525,000 options during the six months ended February 28, 2021, (2020 – 5,778,836). The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2021	2020
Risk-free rate	0.35%	0.31%
Expected life of options	2.92 years	2.82 years
Annualized volatility	100%	100%
Dividend rate	0%	0%

**(g) Agent options**

At February 28, 2021, 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>

**(h) Reserves**

The following is a summary of changes in reserves:

	Share Purchase Options		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 and forfeiture of share purchase options	(608,523)	-	-	608,523	-	
<b>Balance, August 31, 2020</b>	<b>818,989</b>	<b>372,679</b>	<b>-</b>	<b>1,163,962</b>	<b>2,355,630</b>	
Share-based payments	489,036	-	-	-	489,036	
Share purchase warrants	-	-	1,767,134	-	1,767,134	
Performance Warrants	-	82,002	-	-	82,002	
Reclassified on cancellation of warrants	-	-	(77,718)	77,718	-	
<b>Balance, February 28, 2021</b>	<b>\$ 1,308,025</b>	<b>\$ 454,681</b>	<b>\$ 1,689,416</b>	<b>\$ 1,241,680</b>	<b>\$ 4,693,802</b>	

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**14. 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 receivables and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

**15. 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:

	<b>February 28, 2021</b>	<b>August 31, 2020</b>
Trade payables and other liabilities	<b>\$ 248,976</b>	\$ 595,066
Less:		
Cash	<b>(1,798,136)</b>	(172,107)
Receivables	<b>(153,234)</b>	(621,206)
Net capital	<b>(1,702,394)</b>	(198,247)
Equity	<b>13,674,301</b>	12,074,006
Net capital and equity	<b>\$ 11,971,907</b>	\$ 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 February 28, 2021.

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**16. 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 and six months ended February 28, 2021 and February 29, 2020 were as follows:

	Three months ended,		Six months ended,	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Management fees	\$ -	76,849	\$ -	\$ 136,321
Consulting fees	<b>364,251</b>	-	<b>470,098</b>	16,500
Share-based payments	<b>348,462</b>	361,118	<b>357,006</b>	361,118
	<b>\$ 712,713</b>	<b>\$ 437,967</b>	<b>\$ 827,104</b>	<b>\$ 513,939</b>

During the three and six months ended February 28, 2021, the Company incurred \$105,846 and \$207,353, respectively (three and six months ended February 29, 2020 - \$nil and \$17,426, respectively) in consulting fees to a Company owned by the former Chief Executive Officer. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and six months ended February 28, 2021, the Company incurred \$37,075 and \$37,075, respectively (2019 - \$nil and \$nil, respectively) in consulting fees to a firm owned by the Chief Executive Officer. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and six months ended February 28, 2021, the Company incurred \$214,670 and \$214,670, respectively (2019 - \$nil and \$nil, respectively) in consulting fees to a firm owned by a Director. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and six months ended February 28, 2021, the Company incurred \$6,660 and \$11,000, respectively (2019 - \$nil and \$nil, respectively) in consulting fees to the Chief Science Officer. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and six months ended February 28, 2021, the Company incurred \$nil and \$nil, respectively (2019 - \$76,849 and \$136,321, respectively) in management fees to a firm owned by the former president. 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.

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**16. RELATED PARTY TRANSACTIONS (continued)**

Other related party transactions for the three and six months ended February 28, 2021 and February 29, 2020 were as follows:

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Professional fees	\$ 38,880	16,635	\$ 64,813	\$ 53,158
	\$ 38,880	\$ 16,635	\$ 64,813	\$ 53,158

During the three and six months ended February 28, 2021, the Company incurred \$38,880 and \$64,813, respectively (three and six months ended February 29, 2020 - \$16,635 and \$53,158, respectively) 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 and six months ended February 28, 2021, the Company incurred \$nil and \$nil, respectively (2019 - \$nil and \$36,523, respectively) 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 February 28, 2021 and August 31, 2020 were as follows:

	February 28, 2021	August 31, 2020
Trade payables and other liabilities	\$ 34,538	\$ 218,268
	\$ 34,538	\$ 218,268

As at February 28, 2021, included in trade payables and other liabilities is \$18,394 (August 31, 2020 - \$nil) payable to a Company owned by the Chief Executive Officer of the Company for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at February 28, 2021, included in trade payables and other liabilities is \$16,144 (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 February 28, 2021, included in trade payables and other liabilities is \$nil (August 31, 2020 - \$14,453) 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 February 28, 2021, 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 February 28, 2021, 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.

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**16. RELATED PARTY TRANSACTIONS (continued)**

As at February 28, 2021, 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.

**17. EVENTS AFTER THE REPORTING PERIOD**

- (a) On March 5, 2021, the Company completed the sale to Ionic of the Cowlitz Disposal Group as per the Agreement. In exchange for the Cowlitz Disposal Group, the Company received the following compensation:
- 100,406,701 Series E Nonvoting Preferred Shares (the “Consideration Preferred Shares”) at a deemed price of \$0.30 per Consideration Preferred Share. The Consideration Preferred Shares are convertible on a one-for-one basis into Ionic common shares. The Consideration Preferred Shares are subject to vesting conditions whereby the Consideration Preferred Shares will be restricted from trading and released in five equal instalments on October 5, 2021, January 5, 2022; April 5, 2022, June 5, 2022, and September 5, 2022;
  - Common share purchase warrants to purchase up to 4,000,000 Ionic common shares (“Consideration Warrants”), where each Consideration Warrant entitles the holder thereof to acquire one Ionic common share at \$0.30 per share for a period of five years from the date of issuance;
  - A cash payment of \$1,750,000 in cash; and
  - A secured promissory note of \$63,070 (USD\$50,000), maturing two years from the date of issue and carrying an annual interest rate of 7% interest.
- (b) Packing was dissolved on March 8, 2021. Prior to dissolution, Packing was inactive and therefore the dissolution will have a nominal impact on the consolidated financial results.
- (c) Washington was dissolved on March 17, 2021. Prior to dissolution, Packing was inactive and therefore the dissolution will have a nominal impact on the consolidated financial results.
- (d) On March 25, 2021, 192,714 share purchase warrants with an exercise price of \$0.75 expired unexercised.
- (e) On April 20, 2021, pursuant to a share purchase option exercise, the Company issued 500,000 common shares for \$0.06 per common share. Total proceeds were \$30,000.