



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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and nine months ended May 31, 2021 and 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

	Notes	May 31, 2021	August 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 2,325,204	\$ 172,107
Receivables	6	183,988	621,206
Prepaid expenses and deposits	7	178,246	377,123
Preferred Shares	8	8,809,723	-
Warrants	9	405,519	-
Dividend receivable	8	651,230	-
		<b>12,553,910</b>	1,170,436
Preferred Shares	8	5,873,149	-
Promissory note receivable	10	61,367	-
Investment in joint venture	11	625,288	-
Intangible assets	12	9,717,796	11,085,773
Deposit	13	-	78,252
Lease, net of amortization	13	-	571,421
Deferred acquisition cost	14	-	65,210
<b>Total assets</b>		<b>\$ 28,831,510</b>	<b>\$ 12,971,092</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	19	\$ 546,988	595,066
Current lease liability	15	-	181,817
		<b>546,988</b>	776,883
Lease liability	15	-	120,203
Deferred income tax liability	4	637,839	-
<b>Total liabilities</b>		<b>1,184,827</b>	897,086
<b>Equity</b>			
Share capital	16(c)	24,555,215	18,524,509
Shares to be issued	4	-	13,500
Reserves	16(h)	4,773,681	2,355,630
Accumulated other comprehensive loss		(248,611)	(3,870)
Deficit		(1,433,602)	(8,815,763)
<b>Total Equity</b>		<b>27,646,683</b>	12,074,006
<b>Total liabilities and equity</b>		<b>\$ 28,831,510</b>	<b>\$ 12,971,092</b>

Nature of operations (Note 1)

Events after the reporting period (Note 20)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 26, 2021. They are signed on the Company's behalf by:

“Signed”

“Signed”

Jonathan Gilbert, Director

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 nine months ended May 31, 2021 and 2020

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

	Notes	Three months ended,		Nine months ended,	
		May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
<b>Operating expenses</b>					
General and administrative		\$ 55,460	\$ 11,800	\$ 110,353	\$ 52,248
Insurance		21,607	6,246	67,316	73,113
Advertising		215,838	-	1,668,602	695,250
Rent expense	13	-	4,500	8,024	13,500
Research		320,843	-	1,052,685	-
Bad debt expense	13	62,040	139,930	62,040	139,930
Professional fees	19	148,264	16,703	409,845	187,684
Consulting fees	19	217,684	59,421	787,796	114,723
Management fees	19	138,514	52,819	235,315	181,423
Share-based compensation	16,19	95,693	89,968	666,731	772,286
		<b>1,275,943</b>	<b>381,387</b>	<b>5,068,707</b>	<b>2,230,157</b>
Loss before other items		<b>(1,275,943)</b>	<b>(381,387)</b>	<b>(5,068,707)</b>	<b>(2,230,157)</b>
<b>Other items</b>					
Foreign exchange loss (gain)		(5,213)	10,075	67,359	28,550
Dividend income	8	(684,211)	-	(684,211)	-
Other income		(1,035)	-	(1,035)	(22,717)
Loss on change in fair value of Preferred Shares	8	6,882,596	-	6,882,596	-
Loss on change in fair value of Warrants	9	257,222	-	257,222	-
Loss on change in fair value of dividends receivable	8	32,981	-	32,981	-
Equity loss on joint venture	11	30,617	-	30,617	-
Gain on debt settlement	16(c)	-	-	(15,375)	-
		<b>6,512,957</b>	<b>10,075</b>	<b>6,570,154</b>	<b>5,833</b>
<b>Income (loss) before income taxes</b>		<b>(7,788,900)</b>	<b>(391,462)</b>	<b>(11,638,861)</b>	<b>(2,235,990)</b>
Deferred income tax recovery	4	1,203,215	-	1,203,215	-
Net income (loss) from continuing operations		\$ (6,585,685)	\$ (391,462)	\$ (10,435,646)	\$ (2,235,990)
Net income from discontinued operations	4	17,788,170	73,461	17,817,807	235,513
<b>Net loss</b>		<b>11,202,485</b>	<b>(318,001)</b>	<b>7,382,161</b>	<b>(2,000,477)</b>
<b>Other comprehensive income (loss)</b>					
Translation adjustment		(119,082)	150,528	(244,741)	188,641
<b>Comprehensive income (loss)</b>		<b>\$ 11,083,403</b>	<b>(167,473)</b>	<b>\$ 7,137,420</b>	<b>\$ (1,811,836)</b>
<b>Net income (loss) per share from continuing operations</b>					
Basic		\$ 0.05	\$ (0.01)	\$ 0.04	\$ (0.03)
Diluted		0.05	(0.01)	0.04	(0.03)
<b>Earnings (loss) per share from discontinued operations</b>					
Basic		\$ 0.05	\$ (0.00)	\$ 0.04	\$ (0.03)
Diluted		0.05	(0.00)	0.04	(0.03)
<b>Weighted average number of shares outstanding</b>					
Basic		206,306,810	66,651,210	184,962,548	68,188,268
Diluted		208,290,680	66,651,210	186,044,080	68,188,268

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 nine months ended May 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

	Notes	2021	2020
<b>Operating activities</b>			
Net loss from continuing operations		\$ (10,435,646)	\$ (2,235,990)
Adjustments for non-cash items:			
Share-based compensation	16,19	666,731	772,286
Interest income	10	1,035	(22,717)
Bad debt expense	13	62,040	139,930
Unrealized foreign exchange gain		(128,656)	1,745
Equity loss on joint venture	11	30,617	-
Loss on settlement of accounts payable	16	(15,375)	-
Loss on change in fair value of Preferred Shares	8	6,882,596	-
Loss on change in fair value of Warrants	9	257,222	-
Loss on change in fair value of dividends receivable	8	32,981	-
Dividend income	8	(684,211)	-
Deferred income tax expense	4	(1,203,215)	-
Changes in non-cash working capital items:			
Receivables		(131,473)	85,441
Prepaid expenses and deposits		193,199	372,187
Accounts payable and accrued liabilities		(16,140)	(24,867)
<b>Net cash used in operating activities of continuing operations</b>		<b>(4,488,295)</b>	<b>(911,985)</b>
<b>Net cash provided by operating activities of discontinued operations</b>	4	<b>293,434</b>	<b>304,284</b>
<b>Investing Activities</b>			
Cash on sale of assets, net	4	1,649,249	-
Investment in joint venture	11	(78,405)	-
Acquisition of intangible assets	12	(136,273)	-
<b>Net Cash provided by investing activities</b>		<b>1,434,571</b>	<b>-</b>
<b>Financing activities</b>			
Common shares issued for cash – private placement	16(c)	5,173,734	-
Common shares issued for cash – exercise of stock options	16(c)	30,000	-
Common shares issued for cash – exercise of warrants	16(c)	-	293,000
Share issue costs	16(c)	(223,469)	-
Repayment of lease liability	15	(87,815)	(118,056)
<b>Net cash provided by financing activities</b>		<b>4,892,450</b>	<b>174,944</b>
Effect of exchange rate changes on cash		20,937	(35,726)
Increase (decrease) in cash		2,153,097	(468,483)
Cash, beginning of period		172,107	512,777
<b>Cash, end of period</b>		<b>\$ 2,325,204</b>	<b>\$ 44,294</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 and nine months ended May 31, 2021 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 (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	16(c)	2,930,000	293,000	-	-	-	-	293,000
Shares issued – debt settlement	16(c)	507,692	66,000	-	-	-	-	66,000
Shares cancelled	16(c)	(4,568,524)	(228,426)	-	-	-	228,426	-
Share-based compensation	16	-	-	-	772,286	-	-	772,286
Comprehensive loss		-	-	-	-	188,641	(2,000,477)	(1,811,836)
<b>Balance, May 31, 2020</b>		<b>66,713,367</b>	<b>\$ 9,997,347</b>	<b>\$ -</b>	<b>\$ 2,383,776</b>	<b>\$ 283,582</b>	<b>\$ (7,151,741)</b>	<b>\$ 5,512,964</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	16(c)	56,057,059	3,456,746	(13,500)	1,716,988	-	-	5,160,234
Shares issued – debt settlement	16(c)	562,500	23,632	-	4,493	-	-	28,125
Shares issued – exercise of options	16(c)	500,000	45,814	-	(15,814)	-	-	30,000
Shares issued – asset acquisition	12, 16(c)	18,900,000	2,196,136	-	-	-	-	2,196,136
Shares issued – joint venture	16(c)	5,500,000	577,500	-	-	-	-	577,500
Share issue costs	16(c)	-	(269,122)	-	45,653	-	-	(223,469)
Share-based compensation	16	-	-	-	666,731	-	-	666,731
Comprehensive loss		-	-	-	-	(244,741)	7,382,161	7,137,420
<b>Balance, May 31, 2021</b>		<b>224,633,984</b>	<b>\$ 24,555,215</b>	<b>\$ -</b>	<b>\$ 4,773,681</b>	<b>\$ (248,611)</b>	<b>\$ (1,433,602)</b>	<b>\$ 27,646,683</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**

May 31, 2021 and 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 owned acquired brands, intellectual property and leases office and production premises to a cannabis processor and retailer which were disposed of on March 5, 2021 (Note 4).

#### **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 International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements including International Accounting Standard 34 - *Interim Financial Reporting*. 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 July 26, 2021.

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

May 31, 2021 and 2020

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

**2. BASIS OF PRESENTATION (continued)****(b) Basis of measurement**

The condensed 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 condensed 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 condensed interim 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 condensed interim 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 condensed interim 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
Krysalis VX Innovations Corp. <sup>(4)</sup>	Canada	50%	USD

<sup>(1)</sup> Green Star Washington LLC (“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.

<sup>(2)</sup> Green Star Biosciences Packing LLC (“Packing”) was dissolved on March 8, 202. Packing was inactive and therefore the dissolution will have a nominal impact on the consolidated financial results.

<sup>(3)</sup> Acquired on July 27, 2020.

<sup>(4)</sup> Entered Joint Venture agreement on April 26, 2021. The joint venture was initially named 1301872 B.C. Ltd. The name was changed to Krysalis VX Innovations Corp. (“Krysalis”) on May 28, 2021.

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 condensed interim consolidated financial statements.

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

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

May 31, 2021 and 2020

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

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#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these condensed interim consolidated 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.

##### **(b) Investment in joint venture**

A joint venture is a joint arrangement whereby the parties having joint control of the arrangement and have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The investment in joint venture is initially recognized at cost. The carrying amount of the investment is increased or decreased by the Company's share of the joint ventures net profit or loss after the acquisition date. Dividends distributed to the Company decreases the carrying amount of the investment.

##### **(c) 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. SALE OF COWLITZ DISPOSAL GROUP**

On February 22, 2021, the Company signed a definitive binding asset purchase agreement (the "Agreement") with Ionic Brands Corp ("Ionic")(CSE:IONC) 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 12), lease deposit (Note 13) and Lease Purchase Agreement (Note 13). Management has determined that the assets and associated lease liability (Note 15) represent a disposal group (the "Cowlitz Disposal Group"). The assets and liabilities associated with the Cowlitz Disposal Group were disposed of on March 5, 2021.



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

May 31, 2021 and 2020

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

**4. SALE OF COWLITZ DISPOSAL GROUP (continued)**

In exchange for the Cowlitz Disposal Group, the Company received the following compensation:

- 100,406,701 Series E Nonvoting Preferred Shares (the “Preferred Shares”). The Preferred Shares are convertible on a one-for-one basis into Ionic common shares. The Preferred Shares are subject to vesting conditions whereby the 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. Each Preferred Share carries an annual, cumulative, preferential dividend on the issue price per share equal to 13% of the Preferred Shares, accrued daily and with the first payment due January 1, 2022, for a period of two years from the date of issuance. The dividend may be settled in cash or Ionic common shares at the option of Ionic;
- Common share purchase warrants to purchase up to 4,000,000 Ionic common shares (“Warrants”), where each 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; 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%.

The sale of the Cowlitz Disposal Group resulted in a gain of \$19,629,224. The determination of the gain and summary of assets and liabilities disposed is summarized below:

<b>Consideration received</b>	Note		
100,406,701 Series E Nonvoting Preferred Shares	8	\$	23,595,575
4,000,000 common share purchase warrants	9		662,741
Cash			1,750,000
Promissory note receivable (USD\$50,000)	10		63,340
		\$	<b>26,071,656</b>
<b>Assets disposed</b>			
License and rental income receivable	6	\$	556,925
Deposit	13		76,008
Intellectual Property Purchase Agreement	12		3,493,808
Lease	13		204,825
Right of use	13		187,531
		\$	<b>4,519,097</b>
<b>Liabilities disposed</b>			
Lease liability	15		(207,522)
Total net assets disposed		\$	<b>4,311,575</b>
Legal fees			100,750
Finder’s fee	8		2,030,107
<b>Gain on sale</b>		\$	<b>19,629,224</b>
Deferred income tax expense			(1,841,054)
<b>Gain on sale, net of tax</b>		\$	<b>17,788,170</b>

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

May 31, 2021 and 2020

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

**4. SALE OF COWLITZ DISPOSAL GROUP (continued)**

The finder's fee represents 8,638,751 of the Series E Nonvoting Preferred Shares which were transferred to the finders on March 5, 2021.

On March 5, 2021, the Company recorded initial deferred income tax of \$1,841,054 related to the Preferred Shares. On May 31, 2021, the Company recorded a reduction of \$1,203,215 in the deferred income tax liability related to the loss on fair value adjustment of Preferred Shares. The deferred income tax liability as at May 31, 2021 was \$637,839.

Pursuant to the sale of the Cowlitz Disposal Group, 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 nine months ended May 31, 2021, and 2020 are summarized below:

	Note	Three months ended,		Nine months ended,	
		May 31,	May 31,	May 31,	May 31,
		2021	2020	2021	2020
<b>Revenues</b>					
License royalties	12	\$ -	\$ 112,792	\$ 104,306	\$ 362,875
Lease	13	-	117,980	218,515	340,558
		-	230,772	322,821	703,433
<b>Operating expenses</b>					
Rent expense	13	-	6,837	9,724	19,735
Interest expense	15	-	11,043	13,211	34,771
Amortization	12	-	56,432	102,825	161,739
Depreciation	13	-	90,532	166,402	259,137
		-	164,844	292,162	475,382
<b>Other items</b>					
Gain on sale, net of tax		(17,788,170)	-	(17,788,170)	-
Foreign exchange (gain) loss		-	(7,533)	1,022	(7,462)
<b>Net income from discontinued operations</b>					
		\$ 17,788,170	\$ 73,461	\$ 17,817,807	\$ 235,513

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

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2021 and 2020

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

**4. SALE OF COWLITZ DISPOSAL GROUP (continued)**

The cash flows associated with the discontinued operations for the nine months ended May 31, 2021, and 2020 are summarized below:

	Nine months ended	
	May 31, 2021	May 31, 2020
<b>Operating activities</b>		
Net income from discontinued operations	\$ 17,817,807	\$ 235,513
Adjustments for non-cash items:		
Amortization	102,825	161,739
Depreciation	166,402	259,137
Gain on sale, net of tax	(17,788,170)	
Changes in non-cash working capital items:		
Receivables	(5,430)	(352,105)
Net cash provided by discontinued operations	\$ 293,434	304,284

**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 12)		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.)**

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**6. TRADE AND OTHER RECEIVABLES**

	May 31, 2021	August 31, 2020
License and rental income	\$ -	\$ 615,406
Sales tax receivable	<b>183,988</b>	52,515
Allowance for doubtful accounts	-	(46,715)
	<b>\$ 183,988</b>	<b>\$ 621,206</b>

On March 5, 2021, the Company disposed of \$556,925 in license and rental income receivable pursuant to the sale of the Cowlitz Disposal Group (Note 4).

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

**7. PREPAID EXPENSES AND DEPOSITS**

	May 31, 2021	August 31, 2020
Advertising	\$ <b>68,000</b>	\$ 333,984
Insurance	<b>1,273</b>	7,833
Deposits	<b>101,374</b>	-
Rent	-	8,425
Other	<b>7,599</b>	26,881
	<b>\$ 178,246</b>	<b>\$ 377,123</b>

**8. PREFERRED SHARES**

Pursuant to the sale of the Cowlitz Disposal Group, the Company received 100,406,701 Preferred Shares, from which 8,638,751 were paid as finder's fee. The remaining 91,767,950 Preferred Shares are convertible on a one-for-one basis into Ionic common shares. The Preferred Shares are subject to vesting conditions whereby the 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.

A continuity of the Preferred Shares is as follows:

	May 31, 2021	August 31, 2020
Balance, beginning of period	\$ -	\$ -
Addition (Note 4)	<b>23,595,575</b>	-
Finders' fee (Note 4)	<b>(2,030,107)</b>	-
Change in fair value of Preferred Shares	<b>(6,882,596)</b>	-
Balance, end of period	<b>14,682,872</b>	-
Less: Non-current portion	<b>5,873,149</b>	-
Current portion of Preferred Shares	<b>\$ 8,809,723</b>	\$ -

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**8. PREFERRED SHARES (continued)**

The Preferred Shares are measured at fair value through profit and loss. Fair value is determined using the quoted market price of IONC shares on the CSE. The initial value was determined using the closing share price on March 5, 2021, of \$0.235 per Preferred Share. The May 31, 2021, value was determined using the May 31, 2021, closing price of \$0.16 per Preferred Share.

Each Preferred Share carries an annual, cumulative, preferential dividend on the issue price per share equal to 13% of the Preferred Shares, accrued daily and with the first payment due January 1, 2022, for a period of two years from the date of issuance. The dividend may be settled in cash or Ionic common shares at the option of Ionic. A continuity of the dividend receivable is as follows:

	May 31, 2021	August 31, 2020
Balance, beginning of period	\$ -	\$ -
Addition	<b>684,211</b>	-
Change in fair value of dividends receivable	<b>(32,981)</b>	-
Balance, end of period	<b>\$ 651,230</b>	\$ -

The dividend receivable is measured at fair value through profit and loss. Fair value is determined using the quoted market price of Ionic common shares as quoted on the CSE. The initial value was determined using the daily closing price on the dividend accrual date. The May 31, 2021, value was determined using the May 31, 2021, closing price of \$0.16 per Ionic common share. As at May 31, 2021, the dividend receivable is comprised of 4,070,178 Ionic common shares.

**9. WARRANTS**

Pursuant to the sale of the Cowlitz Disposal Group, the Company received Warrants to purchase up to 4,000,000 Ionic Warrants, where each 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. The Warrants are measured at fair value through profit and loss. A continuity of the warrants is as follows:

	May 31, 2021	August 31, 2020
Balance, beginning of period	\$ -	\$ -
Addition	<b>662,741</b>	-
Change in fair value of Warrants	<b>(257,222)</b>	-
Balance, end of period	<b>\$ 405,519</b>	\$ -

Fair value of the Warrants is based on the following assumptions for the Black-Scholes option pricing on the respective revaluation dates:

Date	Expected Life (years)	Unit Price (\$)	Expected Volatility	Risk-Free Rate	Fair Value
March 5, 2021	5.0	0.2350	100.0%	0.24%	\$ 662,741
May 31, 2021	4.8	0.1600	100.0%	0.24%	\$ 405,519

Expected dividend yield is 0% for all measurement dates.

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**10. PROMISSORY NOTES RECEIVABLE**

Balance as at May 31, 2021, represents a secured promissory note of \$63,340 (USD\$50,000) related to the sale of the Cowlitz Disposal Group. The promissory note matures on March 5, 2023, and accrues interest at a rate of 7% per annum.

	<b>May 31, 2021</b>	August 31, 2020
Balance, beginning of period	\$ -	\$ -
Addition	<b>63,340</b>	-
Interest income	<b>1,065</b>	-
Unrealized Foreign exchange loss	<b>(3,038)</b>	-
Balance, end of period	<b>\$ 61,367</b>	\$ -

**11. INVESTMENT IN JOINT VENTURE**

On April 26th, 2021, the Company entered into an agreement with Virtual Psychedelics Incorporated ("VPI") with respect to the joint design, development and commercialization of a new psychedelic/virtual experience pod. The activity will be conducted through Krysalis which is an entity jointly controlled by the Company and VPI.

As the Company and VPI have joint control of Krysalis the acquisition has been accounted as an investment in joint venture in accordance with IAS 28, and as such, the Company has used the equity method to account for its investment. The initial investment was comprised of 5,000,000 common shares of the Company with a fair market value of \$0.105 per common share, 500,000 common shares of the Company with a fair market value of \$0.105 per common share as a finder's fee and legal fees in the amount of \$78,405.

The investment has been recorded using the cost method as follows:

	<b>May 31, 2021</b>	August 31, 2020
Balance, beginning of period	\$ -	\$ -
Initial investment	<b>655,905</b>	-
Company's share of loss during the period	<b>(30,617)</b>	-
Balance, end of period	<b>\$ 625,288</b>	\$ -

The Company is committed to issue 600,000 share purchase warrants and provide initial funding of \$301,800 (USD\$250,000) (note 20).

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

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**12. INTANGIBLE ASSETS**

	May 31, 2021	August 31, 2020
<b>Cost</b>		
Balance, beginning of period	\$ 11,558,827	\$ 4,261,570
Additions	2,332,409	7,385,387
Disposal	(4,054,511)	-
Unrealized foreign exchange loss	(118,929)	(88,130)
<b>Balance, end of period</b>	<b>\$ 9,717,796</b>	<b>\$ 11,558,827</b>
<b>Accumulated depreciation</b>		
Balance, beginning of period	473,054	\$ 269,331
Amortization	102,825	215,900
Disposal	(560,703)	-
Unrealized foreign exchange loss	(15,176)	(12,177)
<b>Balance, end of period</b>	<b>\$ -</b>	<b>\$ 473,054</b>
<b>Carrying amount</b>	<b>\$ 9,717,796</b>	<b>\$ 11,085,773</b>

**Trademarks**

On May 3, 2021, the Company entered into an asset purchase agreement (“APA”) to acquire the Vitamind brand and line of products and all intellectual property rights therein, including the exclusive use of the Vitamind tradename and trademark, and all associated branding and marketing materials; access to the Vendor's supply and distribution network and ongoing commercial assistance with such relationships. Purchase consideration consisted of 17,500,000 common shares of the Company (“Consideration Shares”) of which 13,125,000 of the Consideration Shares are subject to escrow conditions (“Escrow Shares”), such that the Escrow Shares will be released in further increments of 4,375,000 common shares upon the Company achieving certain performance milestones with the Vendor's cooperation. 1,400,000 common shares of the Company as a finder's fee, a cash payment of \$100,000 and legal costs of \$36,973. The following table summarizes the consideration:

Fair value of 4,375,000 Consideration Shares	\$ 568,750
Fair value of 13,125,000 Escrow Shares	1,444,686
Fair value of 1,400,000 finders shares	182,000
Cash	100,000
Legal fees	36,973
<b>Total consideration</b>	<b>\$ 2,332,409</b>

Fair value of the Escrow Shares of \$1,444,686 was determined by discounting the fair value of the Escrow Shares using the May 3, 2021 closing share price of \$0.13, volatility of 100% and escrow period of 1 to 6 months.

This intellectual property is not ready for its intended use; therefore, no amortization has been recorded as at May 31, 2021.

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**12. 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 May 31, 2021.

**Intellectual Property Purchase Agreement**

On May 17, 2018, the Company entered into an 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 nine months ended May 31, 2021, the Company recognized \$nil (USD\$nil) and \$104,306 (USD\$80,071), respectively (three and nine months ended May 31, 2020 - \$112,792 (USD\$80,606) and \$362,875 (USD\$264,973), respectively) in licensing royalties earned pursuant to the License Agreement.

On March 5, 2021, the Company disposed of \$3,493,808 in intellectual property pursuant to the sale of the Cowlitz Disposal Group (Note 4).

**13. 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>May 31, 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)
Disposal	<b>(392,356)</b>	-
Unrealized foreign exchange loss	<b>(12,137)</b>	(25,455)
Balance, end of period	\$ -	\$ 571,421



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**13. LEASE (continued)**

During the three and nine months ended May 31, 2021, the Company recognized \$nil (USD\$nil) and \$218,515 (USD\$168,627), respectively (three and nine months ended May 31, 2020 - \$117,980 (USD\$84,313) and \$340,558 (USD\$252,940), respectively) in lease revenues earned pursuant to the Lease Purchase Agreement.

For the three and nine months ended May 31, 2021, the company recognized rent expense of \$nil and \$8,024, respectively (three and nine months ended May 31, 2020 - \$4,500 and 13,500, respectively) related a short-term lease for office space and variable common area costs.

On March 5, 2021, the Company disposed of \$392,356 in lease rights pursuant to the sale of the Cowlitz Disposal Group (Note 4) comprised of \$204,825 related to the Lease Purchase Agreement and \$187,531 related to the right of use asset. In addition, the Company disposed of the \$76,008 (USD\$60,000) lease deposit

**14. 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 nine months ended May 31, 2021, the Company recorded a bad debt expense of \$62,040 (USD\$50,000) (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.

**15. LEASE LIABILITY**

	May 31, 2021	August 31, 2020
Balance, beginning of period	\$ 302,020	\$ -
Adoption of IFRS 16	-	485,279
Repayment of lease obligation	(101,026)	(205,693)
Interest expense	13,211	43,048
Disposal	(207,522)	-
Unrealized foreign exchange loss	(6,683)	(20,614)
Balance, end of period	-	302,020
Less: Non-current portion	-	120,203
Current portion of lease liability	\$ -	\$ 181,817

On March 5, 2021, the Company disposed of \$207,522 in lease liabilities pursuant to the sale of the Cowlitz Disposal Group (Note 4).

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#### **16. 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 May 31, 2021, 13,125,000 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 nine months ended May 31, 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%).
- 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%).

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

- 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 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%).
- 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.
- On May 3, 2021, pursuant to an APA, the Company issued a total of 17,500,000 common shares and 1,400,000 common shares as a finder's fee. On May 3, 2021, the Company released 4,375,000 of the Consideration Shares and the 1,400,000 common shares associated with the finders' fees. The remaining 13,125,000 Escrow Shares will be released in further increments of 4,375,000 common shares upon the Company achieving certain performance milestones with the Vendor's cooperation (note 12).
- On May 21, 2021, pursuant to the joint venture agreement, the Company issued 5,500,000 common shares with a fair value of \$0.105 per common share for total consideration of \$557,500 (note 11).

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

- On September 11, 2019, the Company issued 330,000 common shares upon the exercise of warrants at a price of \$0.10 per common share for gross proceeds of \$33,000.
- On November 29, 2019, the Company issued 1,200,000 common shares upon the exercise of warrants at a price of \$0.10 per common share for gross proceeds of \$120,000.
- On January 27, 2020, the Company issued 507,692 common shares at a fair value of \$0.095 per common share for total fair value consideration of \$48,231 as settlement of trade payables in the amount of \$66,000. The transaction resulted in a gain on debt settlement of \$17,769.
- On February 5, 2020, the Company issued 600,000 common shares upon the exercise of warrants at a price of \$0.10 per common share for gross proceeds of \$60,000.
- On February 6, 2020, the Company issued 350,000 common shares upon the exercise of warrants at a price of \$0.10 per common share for gross proceeds of \$35,000.
- On February 7, 2020, the Company issued 450,000 common shares upon the exercise of warrants at a price of \$0.10 per common share for gross proceeds of \$45,000.
- On February 17, 2020, the Company reacquired and cancelled 4,568,524 common shares for no consideration pursuant to a share cancellation agreement.

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**16. SHARE CAPITAL (continued)**

- 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	47,159,515	0.24
Expired	(1,267,868)	0.73
<b>Balance, May 31, 2021</b>	<b>47,159,515</b>	<b>0.24</b>

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

Expiry Date	Exercise Price	May 31, 2021	August 31, 2020
January 1, 2021	\$0.35	-	66,419
January 4, 2021	\$0.75	-	488,706
March 25, 2021	\$0.75	-	192,714
May 15, 2021	\$0.75	-	164,474
May 22, 2021	\$0.75	-	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>47,159,515</b>	<b>1,267,868</b>
<b>Weighted average remaining contractual life of warrants outstanding at the end of the period</b>		<b>1.42 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.

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**16. SHARE CAPITAL (continued)**

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 May 31, 2021:

Grant Date	Expiry Date	Number of Performance Warrants	Number of Exercisable Performance Warrants	Weighted Average Exercise Price	Weighted Average Remaining Years
May 18, 2018	May 18, 2026	4,655,992	4,655,992	\$ 0.35	4.96
<b>Total</b>		<b>4,655,922</b>	<b>4,655,992</b>	<b>\$ 0.35</b>	<b>4.96</b>

The Company recognized share-based compensation expense of \$41,001 and \$123,003 during the three and nine months ended May 31, 2021, respectively (three and nine months ended May 31, 2020 - \$41,001 and \$123,003, respectively) with respect to the Performance Warrants.

**(f) Share purchase options**

On May 28, 2021, the Company adopted a Restricted Share Unit plan (the "RSU Plan") and a Deferred Share Unit plan (the "DSU Plan"). In addition, the Company increased the cumulative available incentive awards to be issued under the share purchase plan, the RSU Plan and the DSU Plan to 15% of the aggregate issued and outstanding common shares of the Company.

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
Exercised	(500,000)	\$ 0.06
<b>Balance, May 31, 2021</b>	<b>15,693,836</b>	<b>\$ 0.14</b>

As at May 31, 2021 there were 13,718,836 (August 31, 2020 - 5,490,265) share purchase options vested and exercisable at an average exercise price of \$0.14 (August 31, 2020 - \$0.12).

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**16. SHARE CAPITAL (continued)**

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

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>May 31, 2021</b>	<b>August 31, 2020</b>
July 21, 2021	\$ 0.100	250,000	-
September 6, 2021	\$ 0.200	150,000	150,000
February 24, 2022	\$ 0.060	-	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	1,150,000	-
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>15,693,836</b>	<b>6,668,836</b>
<b>Weighted average remaining contractual life of warrants outstanding at the end of the period</b>		<b>2.92 years</b>	4.29 years

The Company recognized share-based compensation expense of \$95,693 and \$666,731 during the three and nine months ended May 31, 2021, respectively (three and nine months ended May 31, 2020 - \$89,968 and \$772,286, respectively) with respect to the share purchase options.

The Company granted 9,525,000 options during the nine months ended May 31, 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:

	<b>2021</b>	<b>2020</b>
Risk-free rate	0.35%	1.43%
Expected life of options	2.92 years	4.41 years
Annualized volatility	100%	100%
Dividend rate	0%	0%

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**16. SHARE CAPITAL (continued)****(g) Reserves**

The following is a summary of changes in reserves:

	Share		Share			
	Purchase	Performance	Purchase	Contributed		Total
	Options	Warrants	Warrants	Surplus		
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	543,728	-	-	-		543,728
Exercise of share purchase options	(15,814)	-	-	-		(15,814)
Share purchase warrants	-	-	1,767,134	-		1,767,134
Performance Warrants	-	123,003	-	-		123,003
Reclassified on cancellation of warrants	-	-	(77,718)	77,718		-
<b>Balance, May 31, 2021</b>	<b>\$ 1,346,903</b>	<b>\$ 495,682</b>	<b>\$ 1,689,416</b>	<b>\$ 1,241,680</b>	<b>\$</b>	<b>4,773,681</b>

**17. 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.

The fair value of Preferred Shares, Warrants and dividends receivable are measured using Level 2 inputs and are measured at fair value through profit or loss.

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**18. 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:

	May 31, 2021		August 31, 2020	
Trade payables and other liabilities	\$	546,988	\$	595,066
Less:				
Cash		(2,325,204)		(172,107)
Receivables		(183,988)		(621,206)
Net capital		(1,962,204)		(198,247)
Equity		27,646,683		12,074,006
Net capital and equity	\$	25,684,479	\$	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 May 31, 2021.

**19. 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 nine months ended May 31, 2021 and 2020 were as follows:

	Three months ended,		Nine months ended,	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Management fees	\$ -	\$ 86,368	\$ -	\$ 222,689
Consulting fees	353,464	-	823,562	16,500
Share-based payments	39,518	2,359	396,524	310,089
	\$ 392,982	\$ 88,727	\$ 1,220,086	\$ 549,278

During the three and nine months ended May 31, 2021, the Company incurred \$nil and \$207,353, respectively (three and nine months ended May 31, 2020 - \$43,882 and \$61,308, 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.



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

During the three and nine months ended May 31, 2021, the Company incurred \$96,641 and \$133,716, respectively (2020 - \$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 nine months ended May 31, 2021, the Company incurred \$149,846 and \$335,493, respectively (2020 - \$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 nine months ended May 31, 2021, the Company incurred \$5,500 and \$16,500, respectively (2020 - \$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 nine months ended May 31, 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.

Other related party transactions for the three and nine months ended May 31, 2021 and May 31, 2020 were as follows:

	Three months ended		Nine months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Professional fees	\$ 25,881	\$ 16,091	\$ 90,694	\$ 69,249
	\$ 25,881	\$ 16,091	\$ 90,694	\$ 69,249

During the three and nine months ended May 31, 2021, the Company incurred \$25,881 and \$90,694, respectively (three and nine months ended May 31, 2020 - \$16,091 and \$30,596, 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 nine months ended May 31, 2021, the Company incurred \$nil and \$nil, respectively (2019 - \$36,229 and \$43,877, 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 May 31, 2021 and August 31, 2020 were as follows:

	May 31, 2021	August 31, 2020
Trade payables and other liabilities	\$ 39,218	\$ 218,268
	\$ 39,218	\$ 218,268

As at May 31, 2021, included in trade payables and other liabilities is \$30,608 (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.

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

As at May 31, 2021, included in trade payables and other liabilities is \$8,610 (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 May 31, 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 May 31, 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 May 31, 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.

As at May 31, 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.

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

On June 9, 2021, the Company issued 600,000 share purchase warrants in relation to Krysalis (note 11). The warrants have an exercise price of \$0.20 and expire on June 9, 2023.

On June 15, 2021, the Company issued 2,180,000 share purchase options to various directors, consultants and science advisors of the Company. The share purchase options have an exercise price of \$0.13, 1,130,000 vested immediately, 75,000 vest quarterly commencing September 17, 2021 and 250,000 vest on June 15, 2022, June 15, 2023 and June 15, 2024. The share purchase options expire on June 15, 2025.

On June 15, 2021, the Company issued 4,500,000 Restricted Share Units ("RSUs") with a market price of \$0.115. The RSUs vest annually in four equal tranches commencing June 15, 2022. The RSUs expire on June 15, 2025.

On June 15, 2021, the Company issued 200,000 Deferred Share Units ("DSUs") with a market price of \$0.115. The DSUs vest annually in four equal tranches commencing June 15, 2022. The DSUs expire on June 15, 2025.

On July 21, 2021, 250,000 share purchase options with an exercise price of \$0.10 expired unexercised.