Revive Therapeutics Ltd.

Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Revive Therapeutics Ltd.:

Opinion

We have audited the consolidated financial statements of Revive Therapeutics Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit of $10,939,361 as at June 30, 2019. As stated in Note 1, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

MNP LLP

Toronto, Ontario
October 22, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Revive Therapeutics Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	June 30, 2019	June 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ **475,234**	$ 1,060,516
Prepaid expenses	**53,090**	25,770
Total current assets	**528,324**	1,086,286
Non-current assets		
Investment (note 5)	**750,000**	-
Intangible assets (note 6)	**-**	28,498
Equipment (note 7)	**4,230**	5,633
Total non-current assets	**754,230**	34,131
Total assets	$ **1,282,554**	$ 1,120,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 8 and 15)	$ **321,772**	$ 299,300
Total liabilities	**321,772**	299,300
Shareholders' equity		
Share capital (note 9)	**9,352,491**	8,423,540
Shares to be issued	**-**	9,000
Warrants and broker and finder warrants (notes 10 and 11)	**430,370**	-
Contributed surplus (note 12)	**2,117,282**	1,984,052
Accumulated deficit	**(10,939,361)**	(9,595,475)
Total shareholders' equity	**960,782**	821,117
Total liabilities and shareholders' equity	$ **1,282,554**	$ 1,120,417

Nature of operations and going concern (note 1)
Commitments and contingency (note 16)
Subsequent event (note 18)

Approved on behalf of the Board:

"Fabio Chianelli", Director

"Craig Leon", Director

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

Revive Therapeutics Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	2019	2018
Expenses		
Research costs	**$ 124,808**	$ 373,192
Salaries and benefits (note 15(b))	**593,616**	595,181
Stock-based compensation (notes 12(i)(ii)(iii)(iv)(v)(vi)(vii)) and 15(b))	**133,230**	195,604
Office expenses (note 17)	**99,598**	120,526
Consulting fees	**42,767**	343,915
Professional fees (note 15(a)(i)(ii))	**285,727**	175,471
Rent	**33,554**	35,755
Write-off of intangible asset (note 6)	**27,385**	-
Depreciation and amortization (notes 6 and 7)	**3,201**	3,132
	1,343,886	1,842,776
Gain on sale of intangible assets (note 6)	**-**	(51,928)
Comprehensive loss for the year	**$ (1,343,886)**	$ (1,790,848)
Comprehensive loss per share - basic and diluted (note 13)	**$ (0.02)**	$ (0.03)
Weighted average common shares outstanding - basic and diluted	**63,969,666**	55,873,454

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

Revive Therapeutics Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Year Ended June 30,	2019	2018
Cash flow from operating activities		
Comprehensive loss for the year	**$ (1,343,886)**	$ (1,790,848)
Adjustments for:		
Depreciation and amortization	**3,201**	3,132
Stock-based compensation	**133,230**	195,604
Write-off of intangible assets	**27,385**	-
Net change in non-cash working capital:		
Other receivables	**-**	2,456
Prepaid expenses	**(27,320)**	100,432
Accounts payable and accrued liabilities	**22,472**	(9,202)
Net cash and cash equivalents used in operating activities	**(1,184,918)**	(1,498,426)
Investing activities		
Purchase of investment	**(750,000)**	-
Purchase of equipment	**-**	(1,542)
Addition to intangible assets	**(685)**	(9,361)
Net cash and cash equivalents used in investing activities	**(750,685)**	(10,903)
Financing activities		
Proceeds from issuance of shares and warrants	**1,350,321**	-
Proceeds from exercise of warrants (including finder warrants)	**-**	801,169
Net cash and cash equivalents provided by financing activities	**1,350,321**	801,169
Net change in cash and cash equivalents	**(585,282)**	(708,160)
Cash and cash equivalents, beginning of year	**1,060,516**	1,768,676
Cash and cash equivalents, end of year	**$ 475,234**	$ 1,060,516

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

Revive Therapeutics Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital						
	Number of shares	Amount	Shares to be issued	Warrants and broker and finder warrants	Contributed surplus	Accumulated deficit	Total shareholders' equity
Balance, June 30, 2017	**53,893,567**	**$ 7,448,740**	**$ -**	**$ 240,958**	**$ 1,730,121**	**$ (7,804,627)**	**$ 1,615,192**
Exercise of warrants and finder warrants	4,457,715	792,169	9,000	-	-	-	801,169
Reclassification of fair value of warrants and finder warrants exercised	-	182,631	-	(182,631)	-	-	-
Expiry of warrants	-	-	-	(58,327)	58,327	-	-
Stock-based compensation (note 12(i)(ii)(iii))	-	-	-	-	195,604	-	195,604
Comprehensive loss for the year	-	-	-	-	-	(1,790,848)	(1,790,848)
Balance, June 30, 2018	**58,351,282**	**$ 8,423,540**	**$ 9,000**	**$ -**	**$ 1,984,052**	**$ (9,595,475)**	**$ 821,117**
Common shares issued in private placement (note 9(b)(ii))	14,010,000	1,401,000	-	-	-	-	1,401,000
Valuation of warrants issued in private placement (note 9(b)(ii))	-	(444,452)	-	444,452	-	-	-
Valuation of finder warrants issued in private placement (note 9(b)(ii))	-	(1,954)	-	1,954	-	-	-
Transaction costs in private placements (note 9(b)(ii))	-	(34,643)	-	(16,036)	-	-	(50,679)
Common shares issued for exercise of warrants	50,000	9,000	(9,000)	-	-	-	-
Stock-based compensation (note 12(ii)(iii)(iv)(v)(vi))	-	-	-	-	133,230	-	133,230
Comprehensive loss for the year	-	-	-	-	-	(1,343,886)	(1,343,886)
Balance, June 30, 2019	**72,411,282**	**$ 9,352,491**	**$ -**	**$ 430,370**	**$ 2,117,282**	**$ (10,939,361)**	**$ 960,782**

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

1. Nature of Operations and Going Concern

Revive Therapeutics Ltd. (the "Company" or "Revive") was incorporated under the Business Corporations Act (Ontario) on March 27, 2012. The Company's shares traded on the TSX Venture Exchange (the "Exchange") under the symbol "RVV"; OTCQB® Market exchange in the United States under the symbol "RVVTF" and the Frankfurt Stock Exchange in Germany under the symbol "31R". On July 19, 2019, the Company received final approval to list its common shares on the Canadian Securities Exchange (the "CSE"), and to voluntarily delist its common shares from the Exchange. The common shares commenced trading on the CSE at the market opening on July 23, 2019. The Company is focused on the development and commercialization of drugs for underserved medical needs. The Company's registered and legal office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario M5C 1P1.

On June 20, 2019, the Company announced that the Company was to establish a cannabis product derivative manufacturing and development facility and it entered into a definitive lease agreement to a 12,000 sq. ft. facility in Mississauga, Ontario (the “Mississauga Facility”).

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of $10,939,361 as at June 30, 2019 (June 30, 2018 - $9,595,475). As at June 30, 2019, the Company had cash and cash equivalents of $475,234 (June 30, 2018 - $1,060,516) and a working capital of $206,552 (June 30, 2018 - $786,986). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis.

These consolidated financial statements were authorized for issuance by the Board on October 22, 2019.

2. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended June 30, 2019.

Basis of measurement

These consolidated financial statements are stated in Canadian dollars and were prepared on a historical cost basis except for certain items which may be accounted for at fair value as further discussed in subsequent notes, using the significant accounting policies and measurement basis summarized below.

2. Significant Accounting Policies (continued)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Revive Therapeutics Inc. The financial statements of the Company's wholly owned subsidiary, Revive Therapeutics Inc., are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions between entities in the Company, including any unrealized profits or losses, have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks. The Company's cash is invested with major financial institutions in business accounts that are available on demand by the Company for its operations.

Financial instruments

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, (IFRS 9 (2014)) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its consolidated financial statements on July 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on July 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. Significant Accounting Policies (continued)

Financial instruments (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Investment	N/A	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company’s financial instruments under IAS 39 has not changed under IFRS 9.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company’s investments, the Company has no material loss allowance at adoption or as at June 30, 2019.

2. Significant Accounting Policies (continued)

Privately-held investments

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 4. Options and warrants of private companies are valued using a an option pricing model when there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

The determinations of fair value of the Company's privately-held investments are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies may indicate generally that the fair value of the investment has not materially changed. The fair value of a privately-held investment requires adjustment if:

a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;

c. the investee company is placed into receivership or bankruptcy;

d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; and

e. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

2. Significant Accounting Policies (continued)

Equipment and intangible assets

Equipment and intangible assets are carried at cost, less accumulated depreciation and amortization and accumulated impairment losses.

The cost of an item of equipment and intangible assets consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, borrowing costs directly associated with the item and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation and amortization are recognized based on the cost of an item of equipment and intangible assets, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Rate	Method
Equipment	20% - 30%	Declining balance
Intangible assets	20 years	Straight-line

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of equipment and intangible assets is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of comprehensive loss.

Where an item of equipment and intangible assets consists of major components with different useful lives, the components are accounted for as separate items of equipment and intangible assets. Expenditures incurred to replace a component of an item of equipment and intangible assets that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Research and development

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible assets and use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

2. Significant Accounting Policies (continued)

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Provisions

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Stock-based compensation

The fair value of stock options granted to employees is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrant reserve

The fair value of warrants is determined upon their issuance either as part of unit private placements or in settlement of share issuance costs and finder's fees, using the Black-Scholes model. All such warrants are classified in a warrant reserve within equity. If the warrants are converted, the value attributable to the warrants is transferred to common share capital. Upon expiry, the amounts recorded for expired warrants is transferred to equity from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

Income taxes

Income tax expense consists of current and deferred tax expenses. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payment to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

2. Significant Accounting Policies (continued)

Income taxes (continued)

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the assets to be recovered.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Significant accounting judgments and estimates

The application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of capitalized intangible assets and equipment which are included in the consolidated statements of financial position.

ii. The Company measures the cost of stock-based payment transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate.

iii. Estimating fair value for warrants and broker and finder warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate.

iv. Management decision that no provision is needed for the contingency in note 16 represents management estimates and the eventual resolution of the liability may differ based on additional information and the occurrence of future events.

2. Significant Accounting Policies (continued)

Significant accounting judgments and estimates (continued)

v. Fair value of investment. The fair value of investment recorded on the consolidated statements of financial position cannot be derived from active markets and is determined using a valuation model, the inputs to which are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish the fair value. Refer to note 4 for details.

vi. These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Recent accounting pronouncements

IFRS 16, Leases ("IFRS 16") was issued on January 13, 2016. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company signed a new lease agreement (note 16) and will adopt IFRS 16 on July 1, 2019. The Company is still determining the impact under IFRS 16 as the commencement date of the new lease is September 1, 2019.

3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company considers its capital to be equity comprising share capital, warrants, broker and finder warrants, contributed surplus and accumulated deficit which at June 30, 2019 totalled $960,782 (June 30, 2018 - $821,117). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Company's capital management objectives, policies and processes have remained unchanged during the year ended June 30, 2019.

4. Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign currency risk).

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

There were no changes to the Company's objectives, policies and procedures for managing risks during the year.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2019, the Company had a cash and cash equivalents balance of $475,234 (June 30, 2018 - $1,060,516) to settle current liabilities of $321,772 (June 30, 2018 - $299,300) (note 8). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

4. Financial Risk Factors (continued)

Market risk

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash held as collateral in guaranteed investment certificates or interest bearing accounts of select major Canadian chartered banks. The Company regularly monitors its cash activities in compliance with its cash management policy.

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of June 30, 2019, the Company's interest rate risk mainly relates to cash balances. Sensitivity to a plus or minus 1% change in interest rates would affect the reported comprehensive loss by approximately $4,700 (June 30, 2018 - $11,000).

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar. As of June 30, 2019, sensitivity to a plus or minus 10% change in US dollar foreign exchange rate would affect the reported comprehensive loss by approximately $9,400 (June 30, 2018 - $25,000).

Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company`s financial instruments recorded at fair value within the fair value hierarchy as at June 30, 2019 and June 30, 2018:

June 30, 2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 475,234	$ -	$ -	$ 475,234
Investment	-	-	750,000	750,000

June 30, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,060,516	$ -	$ -	$ 1,060,516

Level 3 hierarchy:

The following table presents the changes in fair value measurement of financial instrument classified as Level 3. The financial instrument is measured at fair value utilizing non-observable market inputs.

Investment at fair value	Opening balance at July 1, 2018	Purchases	Ending balance at June 30, 2019
June 30, 2019	$ -	$ 750,000	$ 750,000

Within Level 3, the Company includes a non-public company investment. The key assumptions used in the valuation of the instrument include (but are not limited to) the value at which a recent financing was done by the investee.

4. Financial Risk Factors (continued)

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

June 30, 2019

Investment name	Valuation technique		Fair value	Unobservable inputs
HHL shares	recent financing	$	750,000	Transaction price

As the valuation of investments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments. As at June 30, 2019, a change in the transaction price of 5% would result in an increase/ decrease in the fair value estimate of the investment of approximately $37,500, keeping all other variables constant.

5. Investment

In connection with the closing of the Offering in February 2019, Revive acquired an aggregate of 2,500,000 common shares of HHL at a price of $0.30 per common share of HHL for gross payment of $750,000 representing 5% of the issued and outstanding HHL Shares.

6. Intangible Assets

Cost		REV-002
Balance, June 30, 2017	$	26,515
Additions		9,361
Write-off		-
Balance, June 30, 2018		35,876
Additions		685
Write-off		(36,561)
Balance, June 30, 2019	$	-

Accumulated amortization		REV-002
Balance, June 30, 2017	$	5,818
Amortization during the year		1,560
Balance, June 30, 2018		7,378
Amortization during the year		1,798
Write-off		(9,176)
Balance, June 30, 2019	$	-

6. Intangible Assets (continued)

Carrying value	**REV-002**
Balance, June 30, 2018	$ 28,498
Balance, June 30, 2019	$ -

REV-002

On June 17, 2013, Revive and Xenexus Pharmaceuticals Pty Ltd. ("Xenexus") entered into a patent assignment agreement (the "REV-002 Agreement"), which replaced and superseded a patent license agreement (the "REV-002 License") between Revive and Xenexus dated April 3, 2013. The REV-002 Agreement and its predecessor grant Revive the right to commercially exploit U.S. patent No. 9238018, titled 'The Use of Bucillamine in the Treatment of Gout' which was then subsequently replaced by U.S. patent No. 9662305. Pursuant to the REV-002 License, the Company was required to pay an initial annual license fees amounting to $10,000. Between April 3, 2013, and June 17, 2013, the Company paid $10,000 in accordance with the REV-002 License. Pursuant to the REV-002 Agreement, the Company acquired Patent Document AU2012905072, which was replaced by U.S. patent No. 9238018, titled 'The Use of Bucillamine in the Treatment of Gout' which was then subsequently replaced by U.S. patent No. 9662305, in exchange for a $15,000 cash payment (paid). If the Company licenses the patent acquired under the REV-002 Agreement, it will be required to pay to Xenexus 5% of any upfront milestone payments and subsequent milestone fees from its licensee. To date, no milestone payments have been incurred or paid. As of June 30, 2018, the Company was in compliance with the terms of the REV-002 Agreement.

On January 29, 2015, the Company announced the initiation of a Phase II − A clinical study in patients with gout in the U.S.

On February 26, 2015, Revive announced the expansion of its orphan drug indication pipeline to include the drug Bucillamine for the treatment of cystinuria and Wilson disease for which the Company expects to conduct US−based clinical trials. The addition of cystinuria and Wilson disease was the result of the Company amending the material transfer agreement (the "MTA"), announced on February 20, 2014, with its global pharmaceutical partner headquartered in Osaka, Japan.

Pursuant to the amended MTA, Revive will obtain access to confidential information and clinical trial supply of the drug Bucillamine for cystinuria and Wilson disease, which the Company expects to conduct US−based clinical trials. The Company will continue to have access to confidential information and clinical trial supply of the drug Bucillamine for the treatment of gout. In return, the global pharmaceutical company will have exclusive commercialization rights in Japan, Korea and Taiwan, and Revive will have exclusive commercialization rights in the rest of the world.

On December 1, 2015, the Company announced final results from its Phase II-A clinical study in patients with gout in the U.S.

During the year ended June 30, 2019, the Company incurred $27,900 (2018 - $nil) in REV−002 research costs for consulting services of clinical trial design and research.

As of June 30, 2019, the Company wrote off the intangible asset under REV-002 as the Company has no further plan to commercially exploit the patent.

6. Intangible Assets (continued)

REV-003

During the year ended June 30, 2018, the Company sold its rights over REV-003 that was fully written-off in the prior year. The Company recorded a gain of $51,928 in the consolidated statements of comprehensive loss for the year ended June 30, 2018.

REV-004 and REV-005

During the year ended June 30, 2019, the Company incurred $4,898 (2018 - $88,057) research costs for REV - 004 and $nil (2018 - $nil) research costs for REV-005.

CANNABINOIDS

During the year ended June 30, 2019, the Company incurred $86,218 (2018 - $243,211) research costs for cannabinoids.

OTHER

During the year ended June 30, 2019, the Company incurred $5,793 (2018 - $41,924) general research costs not specifically allocated to any particular project.

7. Equipment

Cost	Computer Equipment	Office Equipment	Total
Balance, June 30, 2017	$ 5,629	$ 7,737	$ 13,366
Additions	1,542	-	1,542
Balance, June 30, 2018 and June 30, 2019	$ 7,171	$ 7,737	$ 14,908

Accumulated depreciation	Computer Equipment	Office Equipment	Total
Balance, June 30, 2017	$ 3,533	$ 4,170	$ 7,703
Depreciation during the year	860	712	1,572
Balance, June 30, 2018	$ 4,393	$ 4,882	$ 9,275
Depreciation during the year	833	570	1,403
Balance, June 30, 2019	$ 5,226	$ 5,452	$ 10,678

Carrying value	Computer Equipment	Office Equipment	Total
Balance, June 30, 2018	$ 2,778	$ 2,855	$ 5,633
Balance, June 30, 2019	$ 1,945	$ 2,285	$ 4,230

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to research and development and general operating activities.

	As at June 30, 2019	As at June 30, 2018
Accounts payable	**$ 199,641**	$ 213,162
Accrued liabilities	**122,044**	80,894
HST payable	**87**	5,244
	$ 321,772	$ 299,300

	As at June 30, 2019	As at June 30, 2018
Less than 1 month	**$ 210,027**	$ 170,485
1 to 3 months	**52**	1,228
Greater than 3 months	**111,693**	127,587
	$ 321,772	$ 299,300

9. Share Capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

As at June 30, 2019, the issued share capital amounted to $9,352,491 and there were nil shares held in escrow. Changes in issued share capital are as follows:

	Number of Common Shares	Amount
Balance, June 30, 2017	**53,893,567**	**$ 7,448,740**
Exercise of warrants and broker warrants	4,457,715	792,169
Reclassification of fair value of warrants exercised	-	182,631
Balance, June 30, 2018	**58,351,282**	**$ 8,423,540**
Common shares issued in private placement (ii)	14,010,000	1,401,000
Valuation of warrants issued in private placement (ii)(iii)	-	(444,452)
Valuation of finder warrants issued in private placement (ii)	-	(1,954)
Transaction costs in private placement (ii)	-	(34,643)
Common shares issued for exercise of warrants (i)	50,000	9,000
Balance, June 30, 2019	**72,411,282**	**$ 9,352,491**

9. Share Capital (continued)

b) Common shares issued (continued)

(i) Proceeds of $9,000 was received during the year ended June 30, 2019 for exercise of 50,000 warrants for which 50,000 common shares were issued on July 16, 2018.

(ii) On February 4, 2019, the Company completed the first tranche of the non-brokered private placement previously announced in the December 7, 2018 and January 23, 2019 news releases for a total of 10,960,000 units (“Units”), at a price of $0.10 per Unit for gross proceeds of $1,096,000 (the “Offering”).

Each Unit consisted of one common share of Revive (a “Common Share”) and one whole Common Share purchase warrant (each warrant, a “Warrant”). Each Warrant entitles the holder to acquire one Common Share for $0.15 per Common Share for 24 months following closing of the Offering. Eligible finders were paid a cash fee of 6% of the gross proceeds from the Units sold with their assistance and were issued Warrants equal to 6% of the number of Units sold with their assistance. The fair value of the Warrants was estimated to be $347,980 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 107.92%; risk-free interest rate of 1.84%; and expected life of 2 years. The Company incurred total transaction costs of $37,189 including $4,200 cash fee to finders. The Company also issued 42,000 finders' warrants with each finder's warrant exercisable into one Common Share for $0.15 per Common Share for 24 months following closing of the Offering. The fair value of the finders' warrants was estimated to be $1,954 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 107.92%; risk-free interest rate of 1.84%; and expected life of 2 years.

In conjunction with the completion of the Offering, Revive has entered into a a letter of intent ("LOI") with Herman Holdings Limited (“HHL”), pursuant to which Revive and HHL will set up a new corporation ("JVCo").

9. Share Capital (continued)

b) Common shares issued (continued)

(ii) (continued) (1) Subsequent to year end, Revive and HHL entered into a definitive joint venture agreement ("JV Agreement") pursuant to which Revive and HHL will establish and hold interests on a 50%/50% basis in a new corporation (“JVCo”) with a business in extraction and marketing of cannabis oils and which, pursuant to the terms of the JV Agreement and in accordance with applicable laws and the policies of the CSE, will pursue an application for a Standard Processing License under the Cannabis Act (Canada).

Pursuant to the terms of the JV Agreement, each of Revive and HHL will have the right to appoint one member of the board of the JVCo and shall have the right to appoint the third director of JVCo jointly. The JV Agreement also provides that upon entering into the definitive joint venture agreement, HHL shall have the right to appoint one director to the board of Revive and to nominate one member of the board of Revive at each shareholder meeting thereafter for as long as the definitive agreement is in effect.

(2) In connection with the closing of the first tranche of the Offering, Revive has acquired an aggregate of 1,820,000 common shares of HHL at a price of $0.30 per common share of HHL for gross payment of $546,000 representing 4.1% of the issued and outstanding HHL Shares.

(3) Revive has entered into a supply agreement with a wholly-owned subsidiary of Richmond Cannabis Co. (“Richmond”), a partner of HHL, pursuant to which Richmond undertakes to supply in accordance with applicable laws and upon receipt of all required licenses, the cannabis required for the extraction operations of Revive and the JV Co.

(iii) On February 11, 2019, the Company completed the second tranche of the Offering. The second tranche of the Offering consisted of the sale of 3,050,000 Units, for the aggregate gross proceeds of both tranches of the Offering of $1,401,000. The fair value of the Warrants issued in the second tranche of the Offering was estimated to be $96,472 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 107.49%; risk-free interest rate of 1.77%; and expected life of 2 years. The Company incurred total transaction costs of $13,490.

In connection with the closing of the second closing of the Offering, Revive has acquired an additional 680,000 common shares of HHL at a price of $0.30 per common share of HHL for gross payment of $204,000. The Company holds 2,500,000 HHL shares in the aggregate or approximately 6.7% of the issued and outstanding HHL shares.

10. Warrants

The following table reflects the continuity of warrants for the years ended June 30, 2019 and 2018:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	**5,655,315**	**$ 0.18**
Exercised	(4,379,965)	0.18
Issued upon exercise of finder warrants (note 9(b)(i))	63,875	0.18
Expired	(1,339,225)	0.18
Balance, June 30, 2018	**-**	**$ -**
Issued	14,010,000	0.15
Balance, June 30, 2019	**14,010,000**	**$ 0.15**

The following table reflects warrants issued and outstanding as at June 30, 2019:

Expiry Date and Description	Exercise Price ($)	Fair Value ($)	Number of Warrants Outstanding
February 4, 2021	0.15	347,980	10,960,000
February 8, 2021	0.15	96,472	3,050,000
Transaction costs		(16,036)	
	0.15	**428,416**	**14,010,000**

11. Broker and Finder Warrants

The following table reflects the continuity of broker and finder warrants for the years ended June 30, 2019 and 2018:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	**197,750**	**$ 0.10**
Expiry	(70,000)	0.10
Exercised	(127,750)	0.10
Balance, June 30, 2018	**-**	**$ -**
Issued	42,000	0.15
Balance, June 30, 2019	**42,000**	**$ 0.15**

11. Broker and Finder Warrants (continued)

The following table reflects broker and finder warrants issued and outstanding as at June 30, 2019:

Expiry Date	Exercise Price ($)	Fair Value ($)	Number of Broker Warrants Outstanding
February 4, 2021	0.15	1,954	42,000
	0.15	**1,954**	**42,000**

12. Stock Options

The Company has granted options for the purchase of common shares to its directors, officers, employees and certain consultants. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth. These options are valid for a maximum of 10 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The maximum number of options to be issued under the plan shall not exceed 10% of the total number of common shares issued and outstanding.

The following table reflects the continuity of stock options for the years ended June 30, 2019 and 2018:

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2017	**2,520,375**	**$ 0.49**
Grant (iii)(iv)(v)	950,000	0.25
Balance, June 30, 2018	**3,470,375**	**$ 0.42**
Granted (v)(vi)(vii)	700,334	0.19
Balance, June 30, 2019	**4,170,709**	**$ 0.39**

The following table reflects the actual stock options issued and outstanding as at June 30, 2019:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Grant Date Fair Value
July 9, 2023	0.30	4.28	40,375	40,375	$ 9,270
January 31, 2024	0.66	4.84	590,000	590,000	265,568
February 10, 2025	0.60	5.87	925,000	925,000	345,058
April 10, 2027 (i)	0.28	8.03	965,000	965,000	212,732
November 1, 2022 (ii)	0.20	3.59	250,000	250,000	31,336
November 29, 2022 (iii)	0.325	3.67	350,000	350,000	92,289
June 8, 2023 (iv)	0.205	4.19	350,000	350,000	59,785
August 21, 2023 (v)	0.205	4.39	75,000	75,000	9,887
October 11, 2020 (vi)	0.19	1.53	500,000	166,667	53,960
April 22, 2024 (vii)	0.17	4.82	125,334	125,334	14,193
			4,170,709	**3,837,376**	**$ 1,094,078**

12. Stock Options (continued)

The following table reflects the actual stock options issued and outstanding as at June 30, 2018:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Grant Date Fair Value
December 30, 2014	0.30	0.25	-	-	$ -
July 9, 2023	0.30	5.28	38,151	38,151	$ 9,270
January 31, 2024	0.66	5.84	590,000	590,000	265,568
February 10, 2025	0.60	6.87	925,000	925,000	345,058
April 10, 2027 (i)	0.28	9.03	965,000	865,000	212,732
November 1, 2022 (ii)	0.20	4.59	250,000	125,000	31,336
November 29, 2022 (iii)	0.325	4.67	350,000	175,000	92,289
June 8, 2023 (iv)	0.205	4.94	350,000	-	59,785
			3,468,151	**2,718,151**	**$ 1,016,038**

(i) On April 10, 2017, the Company granted 965,000 stock options to certain officers, directors, employees and consultants of the Company at an exercise price of $0.28 per share expiring on April 10, 2027. The fair value of the stock options was estimated to be $212,732 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 119.21%; risk-free interest rates of 1.01%; and expected life of 4 years. 665,000 of these options vest as to one-half on the date of grant and one-half on the one year anniversary of the date of grant. The remaining 300,000 options vest as to one-third on the date of grant, one-third on the one year anniversary of the date of grant and one-third on the two year anniversary of the date of grant. During the year ended June 30, 2019, $1,238 (2018 - $82,761) was recorded as stock-based compensation in the consolidated statements of comprehensive loss.

(ii) On November 1, 2017, the Company granted 250,000 stock options to a consultant of the Company at an exercise price of $0.20 per share expiring on November 1, 2022. The fair value of the stock options was estimated to be $31,336 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 114.34%; risk-free interest rates of 1.57%; and expected life of 5 years. These options vest as to one quarter (1/4) of the options on the date which is three (3) months from the date said options are granted, one quarter (1/4) of the options on the date which is six (6) months from the date of grant, one quarter (1/4) of the options on the date which is nine (9) months from the date of grant, and the final one quarter (1/4) of the options on the date which is twelve (12) months from the date of grant. During the year ended June 30, 2019, $3,580 (2018 - $27,756) were recorded as stock-based compensation in the consolidated statements of comprehensive loss.

(iii) On November 29, 2017, the Company granted 350,000 stock options to a consultant of the Company at an exercise price of $0.325 per share expiring on November 29, 2022. The fair value of the stock options was estimated to be $92,289 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 115.58%; risk-free interest rates of 1.57%; and expected life of 5 years. These options vest as to one quarter (1/4) of the options on the date which is three (3) months from the date said options are granted, one quarter (1/4) of the options on the date which is six (6) months from the date of grant, one quarter (1/4) of the options on the date which is nine (9) months from the date of grant, and the final one quarter (1/4) of the options on the date which is twelve (12) months from the date of grant. During the year ended June 30, 2019, $14,679 (2018 - $77,611) was recorded as stock-based compensation in the consolidated statements of comprehensive loss.

12. Stock Options (continued)

(iv) On June 8, 2018, the Company granted 350,000 stock options to a consultant of the Company at an exercise price of $0.205 per share expiring on June 8, 2023. The fair value of the stock options was estimated to be $59,785 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 121.07%; risk-free interest rates of 2.11%; and expected life of 5 years. These options vest as to one quarter (1/4) of the options on the date which is three (3) months from the date said options are granted, one quarter (1/4) of the options on the date which is six (6) months from the date of grant, one quarter (1/4) of the options on the date which is nine (9) months from the date of grant, and the final one quarter (1/4) of the options on the date which is twelve (12) months from the date of grant. During the year ended June 30, 2019, $52,309 (2018 - $7,476) was recorded as stock-based compensation in the consolidated statements of comprehensive loss.

(v) On August 21, 2018, the Company entered into a consulting agreement with a third-party and is committed to issue 25,000 stock options per month of services at a purchase price of $0.205 which equates to a total of 75,000 stock options expiring August 21, 2023. The fair value of the stock options was estimated to be $9,887 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 117.19%; risk-free interest rates of 2.18%; and expected life of 5 years. These options all vested during the year ended June 30, 2019. During the year ended June 30, 2019, $9,887 (2018 - $nil) was recorded as stock-based compensation in the consolidated statements of comprehensive loss.

(vi) On October 11, 2018, the Company granted, a consultant of the Company 500,000 stock options at an exercise price of $0.19 per share expiring on October 11, 2020. The fair value of the stock options was estimated to be $53,960 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 113.91%; risk-free interest rates of 2.27%; and expected life of 2 years. These options vest as to one-third on the date of grant, one-third on the one year anniversary of the date of grant and one-third on the two year anniversary of the date of grant. During the year ended June 30, 2019, $37,344 (2018 - $nil) was recorded as stock-based compensation in the consolidated statements of comprehensive loss.

(vii) On May 1, 2019, the Company granted, a consultant of the Company 125,334 stock options at an exercise price of $0.17 per share expiring on April 22, 2024. The fair value of the stock options was estimated to be $14,193 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 120.13%; risk-free interest rates of 1.56%; and expected life of 4.98 years. These options vest upon grant. During the year ended June 30, 2019, $14,193 (2018 - $nil) was recorded as stock-based compensation in the consolidated statements of comprehensive loss.

13. Net Loss per Common Share

The calculation of basic and diluted loss per share for the year ended June 30, 2019 was based on the loss attributable to common shareholders of $1,343,886 (2018 - $1,790,848) and the weighted average number of common shares outstanding of 63,969,666 (2018 - 55,873,454).

Diluted loss per share did not include the effect of 14,010,000 warrants (2018 - nil), 42,000 finder warrants (2018 - nil) and 4,170,709 stock options (2018 - 3,468,151) as they are anti-dilutive.

14. Income Taxes

Reconciliation of statutory tax rate

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 - 26.5%) to the effective tax rate is as follows:

	Year ended June 30, 2019	Year ended June 30, 2018
Loss before recovery of income taxes	$ (1,343,886)	$ (1,790,848)
Statutory tax rate	26.5%	26.5%
Expected income tax recovery	$ (356,130)	$ (474,575)
Share-based compensation and non-deductible expenses	43,601	45,620
Amounts booked directly into equity	(13,948)	-
Change in tax benefits not recognized	326,477	428,955
Income tax (recovery) expense	$ -	$ -

Unrecognized deferred tax assets

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

	2019	2018
Property, plant and equipment	$ 3,725	$ -
Intangible assets	100,795	71,340
Share issuance costs	112,610	182,750
Non-capital losses carried forward	10,098,000	8,832,380
Other temporary difference	12,152	6,490
	$ 10,327,282	$ 9,092,960

The Company's Canadian non-capital income tax losses expire as noted in the table below:

2031	5,664
2032	107,704
2033	138,113
2034	545,679
2035	1,851,509
2036	2,715,262
2037	1,691,703
2038	1,746,802
2039	1,295,564
	10,098,000

14. Income Taxes (continued)

Share issuance costs will be fully amortized in 2023. Intangible assets and other temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

15. Related Party Balances and Transactions and Major Shareholders

(a) Related party balances and transactions:

Related parties include the directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

	2019	2018
Marrelli Support Services Inc. ("Marrelli Support") (i)	**$ 49,921**	$ 51,631
DSA Corporate Services Inc. and DSA Filing Services Limited (together, known as "DSA") (ii)	**$ 21,549**	$ 23,546

(i) Marrelli Support was owed $2,390 as at June 30, 2019 (June 30, 2018 - $2,416) for the services of Carmelo Marrelli to act as Chief Financial Officer ("CFO") of the Company. This amount was included in accounts payable and accrued liabilities. The Company has entered into a consulting agreement (the "Marrelli Consulting Agreement") with Marrelli Support and Mr. Marrelli to provide the services of Mr. Marrelli as CFO of the Company. The term of the Marrelli Consulting Agreement commenced on July 14, 2013, and shall continue until terminated by either Mr. Marrelli or the Company. Pursuant to the Marrelli Consulting Agreement, Mr. Marrelli is entitled to receive monthly compensation of $1,250 per month, and incentive stock option grants on a reasonable basis, consistent with the grant of options to other grantees. In addition, Marrelli Support provides bookkeeping services to the Company. Mr. Marrelli is the President of Marrelli Support. The amounts charged by Marrelli Support are based on what Marrelli Support usually charges its clients. The Company expects to continue to use Marrelli Support for an indefinite period of time.

(ii) DSA was owed $1,293 as at June 30, 2019 (June 30, 2018 - $4,470) for corporate secretarial and filing services. This amount was included in accounts payable and accrued liabilities. DSA consists of two private companies beneficially controlled by Carmelo Marrelli, the CFO of the Company. Services were incurred in the normal course of operations for corporate secretarial, electronic filing and news dissemination services. The Company expects to continue to use DSA's services for an indefinite period of time.

15. Related Party Balances and Transactions and Major Shareholders (continued)

(b) Remuneration of directors and key management personnel including Chief Executive Officer and Chief Financial Officer of the Company, excluding consulting fees, which were included in the related parties transaction table above, for the years ended June 30, 2019 and 2018 was as follows:

Years Ended June 30,	2019	2018
Stock-based compensation	**$ -**	$ 48,456
Salaries and benefits	**$ 500,000**	$ 500,000

(c) Major shareholders:

As at June 30, 2019, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than Mr. Fabio Chianelli, the President and a Director of the Company, who owns or controls, directly or indirectly, 11.39% the issued and outstanding shares of the Company. These stockholdings can change at any time at the discretion of the owner.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. Other than Mr. Fabio Chianelli, the President and a Director of the Company, who owns or controls, directly or indirectly, 11.39% the issued and outstanding shares of the Company on a partially diluted basis, the Company is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

16. Commitments and Contingency

Commitments

The Company has entered into an agreement (the “CEO Agreement") with an officer (Craig Leon) (the "Employee") of the Company to provide services to the Company in the general capacity of CEO and to undertake the duties and exercise the powers associated with this role. Under the terms of the CEO Agreement, the CEO is contracted by the Company for an indefinite term, commencing as of July 1, 2016. The Company shall pay the CEO a $250,000 base salary per annum (the "Yearly Base Salary") and annual bonus payments (the "Bonus Payment") from time to time, at the Board's entire discretion, of up to 100% of the Yearly Base Salary based on the achievement of corporate goals and benchmarks relating to the Company's overall performance. The CEO Agreement requires an additional contingent lump-sum payment equal to the Employee's then Yearly Base Salary and the Bonus Payment paid or declared to the Employee, if any, in the Company's previously completed fiscal year upon the occurrence of a change of control or termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

16. Commitments and Contingency (continued)

Commitments (continued)

The Company has entered into an agreement (the “President Agreement") with an officer (Fabio Chianelli) (the "Officer") of the Company to provide services to the Company in the general capacity of President and to undertake the duties and exercise the powers associated with this role. Under the terms of the President Agreement, the President is contracted by the Company for an indefinite term, commencing as of January 1, 2014. The Company shall pay the President a $250,000 base salary per annum (the "Annual Base Salary") and annual bonus payments (the "Bonus") from time to time, at the Board's entire discretion, of up to 100% of the Annual Base Salary based on the achievement of corporate goals and benchmarks relating to the Company's overall performance. The President Agreement requires an additional contingent lump-sum payment equal to the Officer's then Annual Base Salary and the Bonus paid or declared to the Officer, if any, in the Company's previously completed fiscal year upon the occurrence of a change of control or termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

In June 11, 2019, the Company entered a new lease agreement commencing on September 1, 2019 for a 5-year period. The Company is required to pay minimum annual lease payment of $93,047.

The Company has also entered into a licensing arrangement with South Carolina Research Foundation and Wisconsin Alumni Research Foundation, whereby certain milestone payments and royalties are payable upon the achievement of certain events. The Company will record these amounts as the events occur. No events occurred during the year ended June 30, 2019.

Effective August 17, 2018, the Company has entered into a distribution and licensing agreement with a third-party and is committed to purchase a minimum amount of product supplied by Axim as follows: US$10,000 for the calendar year 2018, US$50,000 for the calendar year 2019, and US$60,000 for the calendar year 2020.

Contingency

The Company is in dispute with a supplier over invoices in the amount of $827,574 plus interest for which the supplier has sought arbitration. The dispute is in arbitration. No provision has been set up in the accounts of the Company. Any settlement and/or payment will be accounted for in the year it occurs. Readers are cautioned that the eventual resolution of this liability will be based on additional information and the occurrence of future events.

17. Office Expenses

Years Ended June 30,	2019	2018
Reporting issuer costs	**$ 50,263**	$ 47,120
Administrative	**16,290**	30,409
Insurance	**32,475**	35,706
Travel and accommodation	**1,958**	4,029
Meals and entertainment	**2,097**	4,994
Bank charges	**2,542**	2,722
Interest income	**(6,027)**	(4,454)
	$ 99,598	$ 120,526

18. Subsequent Events

(i) On July 19, 2019, the Company received final approval to list its common shares on the Canadian Securities Exchange (the "CSE"), and intends to voluntarily delist its common shares from the Exchange. The common shares commenced trading on the CSE at the market opening on July 23, 2019.

(ii) On October 8, 2019, the Company announced that it signed a non-binding letter of intent (the “LOI”) to merge with HHL. The proposed merger is intended to create a brand focused vertically-integrated cannabis company that provides premium products for Canadian recreational and medical cannabis consumers. Final terms will be set out in a definitive agreement to be entered into by the parties.