Canna-V-Cell Sciences Inc.

(formerly Midnight Star Ventures Corp)

Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended January 31, 2019
(In Canadian Dollars)

NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp.) for the three and nine months ended January 31, 2019 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 2). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp.)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)

	Note		January 31, 2019	April 30, 2018
			(Unaudited)	(Unaudited)
ASSETS				
Current				
Cash		$	**1,084,348**	-
Accounts receivables and other receivables			**13,421**	-
Prepayments			**13,000**	-
Total current assets			**1,110,769**	-
License	6		**5,523,370**	-
Total Assets		$	**6,634,139**	-
EQUITY AND LIABILITIES				
Current				
Accounts payable and accrued liabilities	10	$	**88,791**	-
Total current liabilities			**88,791**	-
Total liabilities		$	**88,791**	-
Shareholders' Equity				
Share capital	7	$	**10,089,243**	1,266
Contributed surplus	7		**561,128**	128
Warrant reserve	8		**783,952**	-
Accumulated other comprehensive loss			**(22,792)**	-
Deficit			**(4,866,183)**	(1,394)
Total shareholders' equity			**6,545,348**	-
Total liabilities and shareholders' equity		$	**6,634,139**	-

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Basis of preparation and going concern *(Note 2)*

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited)
(Expressed in Canadian Dollars)

		For the three months ended January 31 2019		For the nine months ended January 31 2019
		(unaudited)		(unaudited)
Licensing and Service agreement costs		963,403		1,381,254
Bank charges		357		830
Professional and consulting fees		46,574		89,863
Office and general		114,302		119,094
Amortization and depreciation		-		1,878,456
Stock based compensation		246,100		561,000
RTO expenses		8,098		661,559
Advertising and promotion		2,913		2,913
Write off of exploration asset (note 5)		169,820		169,820
Finance expenses		(2,642)		-
Total expenses		1,548,925		4,864,789
Net loss		(1,548,925)		(4,864,789)
Other comprehensive loss				
Foreign exchange translation loss		(15,089)		(22,792)
Comprehensive loss for the period	**$**	(1,564,014)	$	(4,887,581)
Net loss per share - basic and diluted	**$**	(0.02)	$	(0.11)
Weighted average shares outstanding		96,577,013		44,493,408

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp)
Condensed Consolidated Interim Statements of Shareholders' Equity
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Warrant Reserve	Accumulated other comprehensive loss	Deficit	Total Shareholders' Equity
Balance, February 26, 2018 (date of incorporation)	-	$ -	$ -	$ -	$ -	$ -	$ -
Issuance of shares for incorporation costs	100,000	1,266	128	-	-	-	1,394
Net profit for the period	-	-	-	-	-	(1,394)	(1,394)
Balance April 30, 2018 (unaudited)	**100,000**	**$ 1,266**	**$ 128**	**$ -**	**$ -**	**$ (1,394)**	**$ -**
Issuance of shares to Bioharvest in respect of license agreement (Note 7(b)(i))	900,000	5,523,370	-	-	-	-	5,523,370
Dolarin shares exchanged pursuant to the Transaction (Note 7(b)(ii))	(1,000,000)	-	-	-	-	-	-
Shares issued to Bioharvest (Note7(b)(ii))	48,337,496	-	-	-	-	-	-
Acquisition of Midnight Star (Note (7(b)(iii)	26,669,728	2,285,218	-	-	-	-	2,285,218
Shares issued in the RTO Private Placement (Note 7(b)(iv))	20,119,665	2,118,425	-	753,652	-	-	2,872,077
Options issued to brokers in resect of the RTO Private Placement (Note 7(b)(iv))	-	-	-	30,300	-	-	30,300
Share issued for brokerage services in respect of the RTO Private Placement (Note7(b)(iv))	1,450,124	160,964	-	-	-	-	160,964
Stock based compensation (Note 9)	-	-	561,000	-	-	-	561,000
Net loss for the period	-	-	-	-	(22,792)	(4,864,789)	(4,887,581)
Balance January 31, 2019 (unaudited)	**96,577,013**	**$ 10,089,243**	**$ 561,128**	**$ 783,952**	**$ (22,792)**	**$ (4,866,183)**	**$ 6,545,348**

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp)
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

		For the nine months ended January 31 2019 (unaudited)
Cash flows from operations		
Net loss for the period	$	(4,864,789)
Items not affecting cash:		
Write off of Exploration assets		169,820
Amortization		1,878,456
Stock based compensation		561,000
Changes in working capital		
Changes in accounts receivable and other receivables		560,382
Changes in prepaid expenses		(13,001)
Changes in accounts payable and accrued liabilities		(90,068)
		(1,798,200)
Investing activities		
Cash acquired on RTO (gross proceeds: $3,017,950)		2,905,340
		2,905,340
Foreign exchange effect on cash		(22,792)
Net change in cash		1,084,348
Cash, beginning of period		-
Cash, end of period	$	1,084,348

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

(Expressed in Canadian Dollars)

1. Nature of Operations

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp. ("Midnight Star") (the "Company" or "CannaVCell") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013.

On September 27, 2018, the Company completed a qualifying transaction and business combination (the Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Limited. ("Dolarin"), a corporation incorporated in the Israel ("Business Combination Agreement"). The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a Reverse Takeover and change of business for the Company (the "RTO").

Upon the completion of the Transaction, Midnight Star Ventures Corp. changed its name to Canna-V-Cell Sciences Inc. Subsequent to the Transaction, the Company's principal business is to develop and produce cannabis active ingredients based on biofarming technology.

The Company obtained final approval for the Transaction from the Exchange on October 2, 2018 and trades on the Canadian Securities Exchange under the symbol "CNVC".

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 29, 2019.

Accounting for the Reverse Take Over

The Transaction has been accounted for in accordance with IFRS 2, Share-Based Payment. The Transaction is considered to be a reverse takeover of the Company by Dolarin and has been accounted for as a continuation of the financial statements of Dolarin, together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of the Company. The fair value of the shares issued was determined based on the fair value as determined in the table below. Comparative figures presented within these condensed consolidated interim statements are of Dolarin.

The total purchase price for the acquisition of the Company by Dolarin. is as follows:

Deemed value of 26,669,728 shares issued to acquire the net assets and public listing status of the Company (Note7(b)(iii))	$	2,285,218
Share value of 20,119,665 shares issued in the RTO Units private placement (Note7(b)(iv))		2,118,425
Fair value of 20,119,665 share purchase options issued in the RTO Units private placement (Note7(b)(iv))		753,652
Fair value of 770,483 brokers options issued		30,300
Fair value of consideration	$	5,187,595
Cash and cash equivalents	$	2,905,340
Accounts receivables and other receivables		432,631
Exploration assets		150,027
Accounts payable and accrued liabilities		(178,859)
Fair value of net assets acquired	$	3,309,139
Goodwill arising from acquisition	$	1,878,456
Goodwill impairment		(1,878,456)
	$	-

1. Nature of Operations (continued)

Immediately subsequent to the acquisition, the Company reviewed the value assigned as Goodwill for potential impairment. The impairment test considers the future cash flows arising from the cash generating unit of the Company. As the Company's cash generating unit has historically been a net consumer of cash, the goodwill arising is considered impaired and has been written down to Nil.

Concurrent Offering

Concurrent with the completion of the Transaction, the Company issued 20,119,665 units at a price of $0.15 per Unit for gross proceeds of $3,017,950 (see note 7(b(iv)).

Licensing and Service Agreement

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement, which has an effective date of the closing of the Transaction ("License Agreement"). Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, royalty bearing licences in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.
b) The payment of $205,920 (US$160,000) in 16 equal monthly payments of $12,870 (US$10,000) commencing on the effective date.
c) The payment to BioHarvest of a milestone payment comprising $1,081,080 (US$840,000) upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

2. Basis of Preparation

Statement of Compliance

The Company prepares its unaudited condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The unaudited condensed consolidated interim financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed.

Basis of Presentation

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Since Dolarin was incorporated on February 26, 2018, these condensed consolidated interim financial statements do not include a statement of loss or a statement of cash flows for the nine months ended January 31, 2018.

2. Basis of Preparation (continued)

Foreign currencies

These condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of CannaVCell is the Canadian dollar. The functional currency of Dolarin is the United States dollar.

Translation gains or losses resulting from the translation of the financial statements of Dolarin and into Canadian dollars for presentation purposes are recorded in other comprehensive loss. Within each entity, transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency

at the end of each reporting period at the period-end exchange rate. Exchange gains and losses on the settlement of transactions and the translation of monetary assets and liabilities to the functional currency are recorded in profit or loss.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its directly owned 100% subsidiary, Dolarin.

All inter–company balances, and transactions, have been eliminated upon consolidation.

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary, should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred losses to date resulting in a cumulative deficit of $4,696,486 as at January 31, 2019. The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities.

Significant accounting judgments and estimates

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, the reported amounts of revenues and expenses and to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties, considered by management.

2. Basis of Preparation (continued)

Significant accounting judgments and estimates (continued)

Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price, assumptions regarding expected volatility, expected life of share option and expected dividend yield.

Fair value of derivative financial instruments

Management assesses the fair value of the Company's financial derivatives in accordance with the accounting policies in the consolidated financial statements. Fair value of the warrant liability has been measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants are granted. These calculations require the use of estimates and assumptions. Changes in assumptions concerning volatilities, interest rates, foreign exchange rates, and expected life could have a significant impact on the fair value attributed to the Company's financial derivatives.

Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax- related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Business Combination

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Amortization of intangible assets

Amortization of intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment and market comparable information.

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off to net income in the period the new information becomes available.

(Expressed in Canadian Dollars)

3. Accounting Standards

Accounting standards implemented in 2018

The following accounting standards came into effect commencing in the Company's 2019 fiscal year:

(a) Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities. The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

Financial assets and liabilities	IAS 39	IFRS 9	IAS 39/IFRS 9 Carrying value	
Cash	Loans and receivables	Amortized cost	$	1,084,348
Accounts receivables and other receivables	Loans and receivables	Amortized cost	$	13,421
Prepayments	Other financial assets	Amortized cost	$	13,001
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	$	88,791

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied in accordance with the transitional provisions in IFRS 9. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending April 30, 2019. The Company has adopted IFRS 9 retrospectively, and the adoption of IFRS 9 did not result in any transition adjustments being recognized.

(b) Revenue From Contracts With Customers

The Company has adopted IFRS 15 with a date of initial application of January 1, 2018. IFRS 15 includes a single, five-step revenue recognition model that requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services. The standard also requires more informative, relevant disclosures. IFRS 15 supersedes IAS 11 "Construction Contracts" and IAS 18 'Revenue", as well as various IFRIC and SIC interpretations regarding revenue.

The adoption of IFRS 15 did not result in any transition adjustments being recognized.

3. Accounting Standards (continued)

Standards Issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future. The International Accounting Standards Board has issued some new standards and amendments that will be effective in the coming years. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The impact on the Company is currently being assessed.

IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB its final form in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS39. The standard is effective for annual periods beginning on or after January 1, 2018. Management assesses that the adoption of IFRS 9 will not have a significant impact to the consolidated financial statements.

IFRS 16 - Leases ("IFRS 16") was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The new 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. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's consolidated financial statements.

IFRS 17 – Insurance Contract ("IFRS 17") was issued by the IASB in May 2017, which replaces IFRS 4 Insurance Contracts. IFRS 17 requires entities to measure insurance contract liabilities at their current fulfillment values using one of three measurement models, depending on the nature of the contract. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. IFRS 17 will affect how the Company's accounts for its insurance contracts and how it reports its financial performance in our consolidated statements of operations. The Company has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard.

4. Accounting Policies

Financial instruments

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the unaudited condensed consolidated interim financial statements as at and for the nine month period ended January 31, 2019.

(i) Financial assets and liabilities

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income (loss) or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 did not impact the Company's accounting policies for the financial liabilities.

(ii) Impairment of financial assets

For trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

(Expressed in Canadian Dollars)

5. Exploration and evaluation assets

	Fish Project Claims	
	January 31, 2019	April 30, 2018
Property Acquisition Costs		
Balance, beginning of period	**$ 44,365**	$ 28,765
Additions in the period	**19,793**	15,600
Write off during the period	**(64,158)**	-
Balance, end of period	**$ -**	$ 44,365
Deferred exploration expenditures		
Balance, beginning of period	**$ 93,121**	$ 81,106
Additions in the period		
Claim maintenance fees	**12,541**	12,015
	12,541	12,015
Write off during the period	**(105,662)**	-
Balance, end of period	**$ -**	$ 93,121
Total balance, end of period	**$ -**	$ 137,486

On August 28, 2013, the Company entered into an earn-in agreement with Pengram Corporation ("Pengram") where Pengram agreed to grant to the Company an option to acquire an 80% interest in 56 unpatented lode mining claims covering approximately 1,275 acres located in the Lone Mountain Mining District of Esmeralda County, Nevada, USA ("Option Agreement"). Pengram has an existing option to acquire the property through an underlying agreement with Claremont Nevada Mines LLC ("Claremont").

On August 28, 2016, the Company entered into a new option agreement with Claremont under the terms of which Midnight Star has an option to acquire up to a 100% interest in the Fish Project ("Amended Option Agreement"). The Amended Option Agreement replaces the Option Agreement between Midnight Star and Pengram Corporation.

On September 11, 2018, the Amended Option Agreement was further amended such that last the payment originally due on August 28, 2018 to be extended to October 28, 2018. No other terms of the agreement were amended. On October 28, 2018, the Company pay the final payment in amount of $19,650 (US$15,000).

In addition to the advanced royalty payments, the Company must deliver $1,000 and either a copy of a mine plan or final feasibility study on or before August 28, 2018. If the Company cannot meet these requirements, the option may be extended for an additional five years. If the option is extended, the Company will be required make an advance royalty payment of $16,050 (US$12,500) on August 28, of each year of the extended term.

In addition to the above, the Company has the obligation to maintain the mineral lode claims in good standing by payment of all Bureau of Land Management Fees, Claim Fees, Taxes and Rentals, and the performance of all other actions which may be necessary in that regard in order to keep the mineral claims free and clear of all liens and other charges arising from the Company's activities except those at the time contested in good faith by the Company.

During the period ended January 31, 2019, the Company paid claim maintenance fees of $12,541 (US$9,267) on the property. However, as the Company did not make the last required payment, the property has reverted to the owner. As such, the Company recorded a write off of the asset in the Condensed Consolidated Interim Statement of Comprehensive loss.

6. License

As part of the Transaction, Dolarin issued 900,000 common shared to BioHarvest to consummate the Licence Agreement (see Note 1). The fair value of the shares issued was been determined by reference to the 49,867,707 shares issued by Midnight to BioHarvest to acquire Dolarin. Accordingly, the fair value of the shares issued is $5,523,370.

As Dolarin assumed an amount payable of $205,872 (US$160,000) to BioHarvest to recognise the periodic payments pursuant to the agreement, the fair value of the License Agreement has been computed by the total consideration given which is $5,729,290.

Midnight Star commissioned a valuation of the License by an independent qualified person, who determined the valuation of the licence to be between $7,335,900 (US$5,700,000) and $7,979,400 (US$6,200,000). As the consideration given for the acquisition of the licence is less than the lower limit of the valuation, no impairment provision is required.

7. Share Capital

a. The Company is authorized to issue an unlimited number of common shares.

b. Share issuances during the nine months ended January 31, 2019

(i) On September 27, 2018, the Company issued 900,000 shares to BioHarvest in consideration for the receipt of the License. The fair value of the license, being $5,523,370 was charged to share capital (see Note 6)

(ii) As disclosed in Note 1, on September 27, 2018, the Company completed the Transaction and issued 48,337,496 shares to BioHarvest in consideration for the 100% issued share capital of Dolarin (1,000,000 shares).

(iii) In addition, on completion of the RTO, under the RTO accounting, Dolarin is considered to have issued 26,669,728 shares to acquire the net assets and public listing status of the Company.

(iv) At the completion of the Transaction, the Company completed a brokered private placement ("RTO Private Placement") and issued 20,119,665 units at a price of $0.15 per unit for gross proceeds of $3,017,950 ("RTO Units").

Each RTO Unit consists of one common share and one common share purchase warrant (an "RTO Warrant"). Each RTO Warrant entitles the holder thereof to acquire one share at a price of $0.23 for a period of 24 months following the issuance.

The RTO Warrants have been valued at $791,900 using the Black & Scholes option pricing model, with the following assumptions: Stock Price: $0.11, Exercise Price: $0.23, Risk-free rate: 2.18%, Dividend yield: Nil, Volatility factor: 100%, Expected life: 2 years.

The brokers for the RTO Private Placement received a cash commission in the amount of $115,573 and 770,483 RTO Warrants with a fair value of $30,300.

Total expenses relating to the RTO Private Placement, including the fair value of the RTO Warrants have been capitalized as share issue costs against share capital.

The Company also issued 1,450,124 shares with a fair value of $160,964 in respect of brokerage services for the RTO Private Placement.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

c. Shares in Escrow

Pursuant to an escrow agreement dated September 27, 2018, 48,337,496 shares held by BioHarvest were placed in escrow.

Pursuant to the agreement, upon the listing date, 10% of the shares subject to the escrow agreement were released, and every 6 months thereafter 15% of the original securities taken to Escrow will be released. As at January 31, 2019, 43,503,746 shares remain in escrow agreement.

8. Warrants

Each warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants for the periods presented:

Warrant activity	Exercisable at January 31, 2019	Weighted average exercise price
Balance – Beginning of Period (April 30,2018)	-	$ -
Issued in the RTO Private Placement (Note 7(b)(iv))	20,119,665	0.23
Issued to brokers for RTO Private Placement (note 7(b)(iv))	770,483	0.23
Balance – End of Period	**20,890,148**	**$ 0.23**

The following table summarizes information about warrants outstanding as at January 31, 2019:

Date of issuance	Date of expiry	Exercise price	Exercisable at January 31, 2019
September 27, 2018	September 26, 2020	$ 0.23	20,890,148
			20,890,148

9. Stock Options

The Company maintains a stock option plan (the "Plan") for the directors, officers, consultants and employees of the Company. The maximum number of options issuable under the Plan shall be equal to ten percent (10%) of the outstanding shares of the Company less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement of the Company.

(Expressed in Canadian Dollars)

9. Stock Options (continued)

A summary of the status of the Plan as at January 31, 2019, and changes during the nine months ended January 31, 2019 is as follows:

	Number of options	Average Exercise Price	
Balance, April 30, 2018	**-**	$	-
Options granted:			
September 27, 2018	9,655,105	$	0.20
Balance outstanding at January 31, 2019	**9,655,105**	**$**	**0.20**

On September 27, 2018, the Company granted 9,655,105 options to directors and officers of the Company. The Options have an exercise price of $0.20 and vest over eight quarters, with the first quarter vesting immediately at the date of the grant. The options expire on September 26, 2028. The fair value of the options was determined using the Black & Scholes option pricing model and the following assumptions: share price – $0.11; exercise price – $0.20; expected life – 10 years; annualized volatility – 100%; dividend yield nil; risk free rate – 2.41%.

Share-based compensation expense is recognized over the vesting period of options. During the three and nine months ended January 31, 2019, share-based compensation of $246,100 and $561,000, respectively was recognized based on options vested during the period.

The following table summarizes information about the options outstanding as at January 31, 2019:

Options Outstanding			Options Exercisable			
Number Outstanding at January 31, 2019	**Exercise Price**		**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable at January 31, 2019**	**Weighed Average Exercise Price**	
9,655,105	$	0.20	9.67	1,206,888	$	0.20
9,655,105	**$**	**0.20**	**9.67**	**1,206,888**	**$**	**0.20**

10. Related Party Transactions and Balances

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, Chief Executive Officer and Chief Financial Officer. Compensation earned by key management for the three and nine months ended January 31, 2019 are as follows:

		Three months ended January 31, 2019		Nine months ended January 31, 2019	Owing at January 31, 2019
CFO	$	3,000	$	3,650	1,130
BioHarvest (*)		963,403		1,381,254	-
	$	966,403	$	1,384,904	1,130

(*) BioHarvest is a significant shareholder – see Note 1.

11. Financial and Capital Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Fair value

The carrying value of cash, cash in trust, accounts receivable, accounts payable and accrued liabilities and warrant liability approximates their fair value because of the relatively short-term nature of these instruments.

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar. Major expenses incurred by the Company's subsidiary are transacted in US dollars and New Israeli Shekels ("NIS"). Sensitivity to a plus or minus 10% change in rates would not have a significant effect on the net income (loss) of the Company, given the Company's minimal assets and liabilities designated in US dollars and NIS as at January 31, 2019.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Capital management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition and exploration of mineral properties.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to manage its capital.

The Company's current business activities are currently at a very initial stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management considers its approach to capital management to be appropriate given the relative size of the Company. The Company is not subject to externally imposed capital requirements.

11. Financial and Capital Risk Management (continued)

Liquidity risk

The Company’s ability to continue as a going concern is dependent on management’s ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.