

A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authority in the provinces of British Columbia, Alberta, Manitoba, and Ontario, but has not yet become final. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This amended and restated preliminary prospectus does not constitute a public offering of securities.

The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and except pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws, may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person (as that term is defined in Regulation S under the U.S. Securities Act). This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, any U.S. Persons.

NEW ISSUE PROSPECTUS

March 25, 2019

**AMENDED AND RESTATED PRELIMINARY PROSPECTUS
DATED MARCH 25, 2019
AMENDING AND RESTATING THE PRELIMINARY PROSPECTUS
DATED DECEMBER 28, 2018**

XPHYTO THERAPEUTICS CORP.

**5,565,500 Common Shares and 5,565,500 Common Share Purchase Warrants issuable on deemed exercise
of 5,565,500 Special Warrants**

No securities are being offered or sold pursuant to this non offering amended and restated preliminary prospectus.

This amended and restated preliminary prospectus (the "**Prospectus**") is being filed with the British Columbia Securities Commission ("**BCSC**"), Alberta Securities Commission, Manitoba Securities Commission, and Ontario Securities Commission, to enable XPhyto Therapeutics Corp. (the "**Company**") to become a reporting issuer pursuant to the applicable securities legislation in the provinces of British Columbia, Alberta, Manitoba, and Ontario and to qualify the distribution of the following securities: 5,565,500 common shares (the "**Common Shares**") in the capital of the Company and 5,565,500 Common Share purchase warrants (the "**SW Warrants**") of the Company issuable upon the deemed exercise of 5,565,500 issued and outstanding special warrants (the "**Special Warrants**") of the Company. The Special Warrants were issued in two tranches, with 4,445,500 Special Warrants issued on December 28, 2018 (the "**First Tranche**") and 1,120,000 Special Warrants issued on February 28, 2019 (the "**Second Tranche**"), at a price of \$0.40 per Special Warrant to purchasers in the provinces of British Columbia, Alberta, Manitoba, and Ontario on a private placement basis pursuant to certain prospectus exemptions under applicable securities legislation (the "**Private Placement**"). Collectively, the Common Shares and the SW Warrants are referred to herein as the "**Qualified Securities**". **The Special Warrants are not available for purchase pursuant to this prospectus and no additional funds are to be received by the Company from the distribution of the Qualified Securities other than the exercise price payable exercise of the SW Warrants.** The Company also issued 351,640 finders warrants to purchase an aggregate of 351,640 common shares at a price of \$0.40 per share for a period of two years from the date of listing in connection with the First Tranche, and 89,600 finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of two years from the date of listing in connection with the Second Tranche.

Upon the final receipt of this Prospectus by the BCSC, the Company will become a reporting issuer in British Columbia, Alberta, Manitoba, and Ontario.

The Company intends to apply to the Canadian Securities Exchange (the "**CSE**") for the listing of the Common Shares. The CSE has provided written authorization to the Company to represent its intention to apply for listing on the CSE in this Prospectus. The CSE has not approved the listing of the Common Shares. Listing is subject to the Company fulfilling all the requirements of the CSE, including meeting all minimum listing requirements. There is no guarantee that the CSE will provide approval for the listing of the Common Shares. The Common Shares and the SW Warrants have not been listed or quoted on any stock exchange or market.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by Plus Market Groups plc).

There is no market through which the Special Warrants may be sold and purchasers may not be able to resell the Special Warrants acquired pursuant to the Private Placement. In addition, there is no market through which the SW Warrants may be sold and purchasers may not be able to resell the SW Warrants qualified by this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “*Risk Factors*”.

Each Special Warrant is represented by a Special Warrant Certificate and will be deemed exchanged, without payment of any additional consideration and without any further action by the holder, for one Common Share and one SW Warrant, on the third business day after the Prospectus Receipt Date (defined herein). The Special Warrants and the conditions necessary for them to be exercised for Common Shares and SW Warrants are described in more detail under the heading “*Plan of Distribution*” in this prospectus.

No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.

Wolfgang Probst, a director of the Company, resides outside of Canada and BUNKER Pflanzenextrakte GmbH is incorporated under the laws of a foreign jurisdiction and each has appointed McMillan LLP, 1500-1055 West Georgia Street, Vancouver, BC V6E 4N7 as their agent for service of process in Canada. Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

An investment in the securities of the Company is speculative and involves a high degree of risk. In reviewing this Prospectus, you should carefully consider the matters described under the heading “*Risk Factors*”.

Prospective investors should rely only on the information contained in this Prospectus. The Company has not authorized anyone to provide you with different information. Readers should assume that the information appearing in this Prospectus is accurate only as of its date, regardless of its time of delivery. The Company’s business, financial condition, results of operations and prospects may have changed since that date.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding, or disposing of Common Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Common Shares.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Unless otherwise noted all currency amounts in this Prospectus are stated in Canadian dollars.

The Company’s head office is located at Suite 1500 – 701 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1C6. The Company’s registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

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GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this Prospectus. This is not an exhaustive list of defined terms used in this Prospectus and additional terms are defined throughout. Terms and abbreviations used in the financial statements of the Company are defined. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

“BCBCA”	means the <i>Business Corporations Act</i> (British Columbia).
“Board” or “Board of Directors”	means the board of directors, or comparable corporate governing structure, of the Company.
“BfArM”	means Bundesinstitut für Arzneimittel und Medizinprodukte, in English being the Federal Institute for Drugs and Medical Devices, an independent federal higher authority within the portfolio of the Federal Ministry of Health in Germany.
“BOPST”	means Bundesopiumstelle.
“BtMG”	means Betäubungsmittelgesetz.
“Bunker”	means BUNKER Pflanzenextrakte GmbH, a wholly-owned subsidiary of the Company.
“Bunker Acquisition”	has the meaning, ascribed thereto in “ <i>The Business – German Acquisition</i> ”
“Bunker Biopharma”	means Bunker Biopharma GmbH, a wholly-owned subsidiary of Bunker registered at the Munich Commercial Register, Bavaria, Germany, previously named “SCUR-Alpha 998 GmbH” and purchased by Bunker on November 14, 2018 and renamed on November 26, 2018.
“Cannabis Agency”	means “cannabisagentur” – Federal Opium Agency in Germany.
“CEO”	means Chief Executive Officer.
“CFO”	means Chief Financial Officer.
“Common Shares”	means the common shares in the capital of the Company.
“company”	means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
“Company” or “XPhyto”	means XPhyto Therapeutics Corp., a corporation existing under the BCBCA, formerly named Cannabunker Development Corp.
“Company Financial Statements”	means the audited financial statements of the Company as at December 31, 2018 and December 31, 2017 together with the notes thereto and the auditors’ report thereon, as applicable, attached hereto at Schedule “A”.
“Company MD&A”	means the management’s discussion and analysis of the Company for the year ended December 31, 2018, attached hereto at Schedule “B”.
“Control Person”	means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
“CSE” or “Exchange”	means the Canadian Securities Exchange.

“CSE Approval”	means conditional approval or acceptance of the CSE of the listing of the Common Shares on the CSE.
“Final Prospectus”	means the (final) non-offering Prospectus of the Company, prepared in accordance with NI 41-101.
“Finder’s Warrants”	means share purchase warrants exercisable to acquire Common Shares and issued to certain finders.
“GAAP”	means generally accepted accounting principles in Canada, which is “IFRS” meaning International Financial Reporting Standards.
“GMP”	means Good Manufacturing Practice.
“kg”	means kilogram.
“Listing Date”	means the date that the Common Shares are listed on the CSE or another stock exchange recognized under provincial securities laws.
“Named Executive Officers” or “NEO”	means: <ul style="list-style-type: none"> (a) the CEO, or comparable position; (b) the CFO, or comparable position; (c) each of the issuer’s three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus, individually, exceeds CAD\$150,000 per year; or (d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year.
“NI 41-101”	means National Instrument 41-101 – <i>General Prospectus Requirements</i> , of the Canadian Securities Administrators.
“NI 52-110”	means National Instrument 51-110 – <i>Audit Committees</i> , of the Canadian Securities Administrator
“Options”	means stock options to acquire Common Shares.
“Person”	means a company or individual.
“Principal Regulator”	means the British Columbia Securities Commission.
“Private Placement”	means the non-brokered private placement of the Company of 5,565,500 Special Warrants (pursuant to prospectus and registration exemptions in Canada and the United States) for gross proceeds of \$2,226,200, pursuant to Tranche 1 and Tranche 2 which will result in the deemed exercise of Special Warrants for 5,565,500 Common Shares and 5,565,500 SW Warrants. The Company also issued 351,640 finders warrants to purchase an aggregate of 351,640 common shares at a price of \$0.40 per share for a period of two years from the date of listing in respect of Tranche 1 and 89,600 finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of two years from the date of listing in respect of Tranche 2.
“Prospectus Receipt Date”	means the date that a receipt for a final prospectus qualifying the distribution of the Qualified Securities is issued to the Company from the securities regulatory authorities in British Columbia.
“SEDAR”	means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.

“Shareholders”	means holders from time to time of Common Shares.
“Special Warrantholder”	means holders of Special Warrants.
“Special Warrants”	means the special warrants issued by the Company at a price of \$0.40 per Special Warrant, pursuant to the Private Placement entitling the holder thereof to acquire, for no additional consideration, one Common Share and one SW Warrant pursuant to the terms and conditions in the Special Warrant Certificates.
“Special Warrant Certificate”	means a certificate representing Special Warrants.
“Special Warrant Exercise Date”	means the date the Special Warrants are deemed to have been exercised into one Common Share and one SW Warrant, which is the earlier of the date that is (i) the third business day after the Prospectus Receipt Date and (ii) four months and one day after the issue date of the Special Warrants.
“Stock Option Plan”	means the incentive stock option plan of the Company.
“SW Warrants”	means the common share purchase warrants of the Company issuable upon deemed exercise of the Special Warrants entitling the holder to acquire one Common Share at a price of \$1.20 per Common Share for a period of two years after the Listing Date or five years after the closing date.
“TUM”	means the Technical University of Munich.
“Tranche 1”	means the portion of the Private Placement completed on December 28, 2018 pursuant to which the Company issued 4,445,500 Special Warrants.
“Tranche 2”	means the portion of the Private Placement completed on February 28, 2019 pursuant to which the Company issued 1,120,000 Special Warrants.
“UoA”	means the University of Alberta.
“Warrants”	means share purchase warrants exercisable to acquire Common Shares.
“XPhyto Labs”	means “XPhyto Laboratories Inc.”, the Company’s wholly-owned Alberta subsidiary incorporated December 5, 2018.

GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our” or the “Company” refer to XPhyto Therapeutics Corp. and its direct subsidiaries.

The Company is not offering to sell securities under this Prospectus. Readers should rely only on the information contained in this Prospectus. The Company has not authorized any other person to provide you with additional or different information. If anyone provides you with additional or different or inconsistent information, including information or statements in media articles about the Company, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as at its date. The Company’s business, financial conditions, results of operations and prospects may have changed since that date.

The Company presents its financial statements in Canadian dollars. Amounts in this Prospectus are stated in Canadian dollars unless otherwise indicated.

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and are included in this Prospectus:

1. Audited financial statements of the Company for year ended December 31, 2018 and for the period from incorporation on December 12, 2017 to December 31, 2017 (the “**Company Financial Statements**”).

See Schedule “A”.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements or information (collectively “forward-looking statements”) that are based on current expectations, estimates, forecasts, projections, beliefs and assumptions made by management of the Company about the industry in which it operates. Such statements include, in particular, statements about the Company’s plans, strategies and prospects under the headings “Summary”, “Risk Factors”, and “Management’s Discussion and Analysis”. Words such as “expect”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not a guarantee of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. The Company does not intend, and disclaims any obligation, to update any forward-looking statements after it files this Prospectus, whether as a result of new information, future events or otherwise, except as required by the securities laws. These forward-looking statements are made as of the date of this Prospectus.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the intention to complete the listing of the Common Shares on the CSE and all transactions related thereto;
- the Company’s expectations regarding its expenses and operations and future revenue;
- the Company’s anticipated cash needs and its needs for additional financing; the Company’s intention to grow the business and its operations;

- the grant and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- expectations with respect to the future growth of its medical cannabis products;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's expected business objectives for the next twelve months;
- the Company's ability to obtain additional funds through the sale of equity or debt commitments;
- the development of the University of Alberta laboratory and manufacturing facilities (as defined herein) and the respective costs and timing associated therewith; and
- the development of the Bunker facility (as defined herein) and the respective costs and timing associated therewith;

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward looking statements included in this Prospectus, the Company has made various material assumptions, including but not limited to: (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (xi) that our current good relationships with our service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- the Company's actual financial position and results of operations may differ materially from the expectations of management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition and results of operations;
- the Company is subject to changes in German laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition and results of operations;
- there is no assurance that the Company will turn a profit or generate revenues;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;

- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the medicinal cannabis market;
- there is no assurance that the Company will obtain and retain any relevant licenses;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company does not anticipate the ability to immediately diversify its business;
- the competitive landscape may change due to significant growth in the cannabis industry, and as a result, the Company may face significant competition in the future;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyberattacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- the Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed and, as a result of the Company's ancillary involvement in such industry, the Company's business may suffer;
- the Company may not be able to obtain all necessary licenses and permits or complete construction of its facilities timely, which could, among other things, delay or prevent the Company from becoming profitable;
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;

- the enforcement of relevant laws is a significant risk;
- the Company cannot assure you that a market will develop or exist for the Common Shares or what the market price of the Common Shares will be;
- the size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- the Company will be subject to additional regulatory burden resulting from its public listing on the CSE;
- assuming completion of the listing of the Common Shares on the CSE, which may not occur as anticipated or at all, the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Company is subject to uncertainty regarding Canadian and German legal and regulatory status and changes;
- the Company does not anticipate paying cash dividends;
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares;
- the Company is subject to currency fluctuations; and
- no guarantee on the use of available funds by the Company.

These factors should not be considered exhaustive. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Information contained in forward-looking statements in this Prospectus is provided as of the date of this Prospectus, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

All of the forward-looking statements contained in this Prospectus are expressly qualified by the foregoing cautionary statements. Investors should read this entire Prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus concerning the Company's industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Company's internal research, and knowledge of both the Canadian and German cannabis market and economy, and include assumptions made by the Company which management believes to be reasonable based on their knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of

uncertainty and risk due to a variety of factors, including those described under the heading “*Forward-Looking Statements*” and “*Risk Factors*”.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain capitalized terms and phrases used in this Prospectus are defined in the “Glossary of Terms” beginning on page 1.

Principal Business of the Company

The Company, through its wholly-owned subsidiaries, operates in the cannabis industry, and is developing a testing, manufacturing, and research business in Canada and a research, cultivation, import, manufacturing, and distribution business in Germany.

XPhyto Laboratories Inc. (“**XPhyto Labs**”), a wholly-owned Alberta subsidiary, is focused on development of an analytical testing and extract manufacturing business in collaboration with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta, and intends to subsequently pursue the invention and clinical study of proprietary cannabis-based formulas for medical indications. Analytical testing, manufacturing, formulation and clinical studies will be carried out pursuant to an exclusive agreement with Dr. Raimar Löbenberg in respect of the use of his dealer’s licence under provisions of the *Controlled Drugs and Substances Act* (Canada) and its Regulations from Health Canada. Analytical testing and manufacturing will be carried out in laboratories at the University of Alberta with equipment and facilities upgrades to be funded by the Company. As at the date hereof, XPhyto Labs does not have an active business.

XPhyto’s wholly-owned German subsidiary, Bunker, holds a long-term lease on a decommissioned former military command centre in Bavaria which is the proposed site associated with two pending licence applications and several future applications expected to be submitted in early 2019. The facility will require upgrades to its mechanical systems, fire and security systems, as well specialized flooring and ceiling modification to achieve GMP certification, which is a necessary component of all licence applications. Bunker has submitted a cannabis research licence application in collaboration with the Technical University of Munich, which was substantially re-submitted in July 2018, and also submitted a commercial cannabis cultivation licence application pursuant to the German tender process closed December 2018. The pending cultivation licences are limited to 200 kg of flower per licence per year. Applications for German cannabis import, storage, distribution and manufacturing (extraction, isolation and packaging) are expected to be submitted in the second quarter of 2019.

The Company’s head office is located at Suite 1500 – 701 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1C6. The Company’s registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

No Proceeds Raised

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the BCSC, Alberta Securities Commission, Manitoba Securities Commission, and Ontario Securities Commission for the purpose of allowing the Company to become a reporting issuer in such jurisdictions and to enable the Company to develop an organized market for its Common Shares. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company.

Private Placement

On December 28, 2018, the Company completed the First Tranche, and on February 28, 2019 the Company completed the Second Tranche, of a non-brokered private placement (the “**Private Placement**”) of 5,565,500 Special Warrants (pursuant to prospectus and registration exemptions in Canada and the United States) at a price of \$0.40 per Special Warrant for aggregate gross proceeds of \$2,226,200. Each Special Warrant entitles the holder thereof to acquire, for no additional consideration, one Common Share and one SW Warrant pursuant to the terms and conditions in the Special Warrant Certificates. Each SW Warrant exercisable into an additional Common Share for a period of two years after the Listing Date or five years after the closing date at an exercise price of \$1.20 per Common Share. The

Company also issued 351,640 finders warrants to purchase an aggregate of 351,640 common shares at a price of \$0.40 per share for a period of two years from the date of listing in respect of Tranche 1 and 89,600 finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of two years from the Listing Date in respect of Tranche 2

The Listing

The Company will apply to list its Common Shares on the CSE. Listing will be subject to the Company's fulfilling all of the listing requirements of the CSE, including, without limitation, the distribution of the Company's Common Shares to a minimum number of public shareholders and the Company meeting the minimum listing requirements.

Risk Factors

An investment in the securities of the Company is speculative and involves a high degree of risk. The following are a summary of certain of the risk factors described elsewhere herein. Prospective purchasers should carefully consider the information set out under "*Risk Factors*" and the other information in this Prospectus before purchasing securities of the Company.

Limited Operating History

The Company was incorporated on December 12, 2017 and has only recently begun operations. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Net Losses

The Company has incurred operating losses since incorporation. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses into the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's does not generate revenues to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Negative Operating Cash Flow

The Company did not generate operating revenue and historically has had negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flows in the foreseeable future. Continued losses may have the consequences of:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limited the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Summary Financial Information

The following selected financial information has been derived from and is qualified in its entirety by the Company Financial Statements, and the notes thereto (included at Schedule "A"), and should be read in conjunction with the respective management's discussion and analysis thereto, attached at Schedule "B.

	Consolidated Financial Statements for the year ended December 31, 2018 (audited) (CAD\$)
Revenue	-
Total Expenses	(860,600)
Net Income (Loss)	(860,600)
Current Assets	2,469,760
Total Assets	9,199,493
Total Liabilities	1,437,168
Shareholders' Equity (Deficiency)	7,762,325

See "Selected Financial Information".

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the BCBCA as “Cannabunker Development Corp.” on December 12, 2017 and changed its name to “XPhyto Therapeutics Corp.” on December 4, 2018.

On December 5, 2018 the Company incorporated “XPhyto Laboratories Inc.” a wholly owned Alberta subsidiary and on December 12, 2018, the Company completed the Bunker Acquisition (as defined below), and, as a result, Bunker became a wholly-owned subsidiary of the Company.

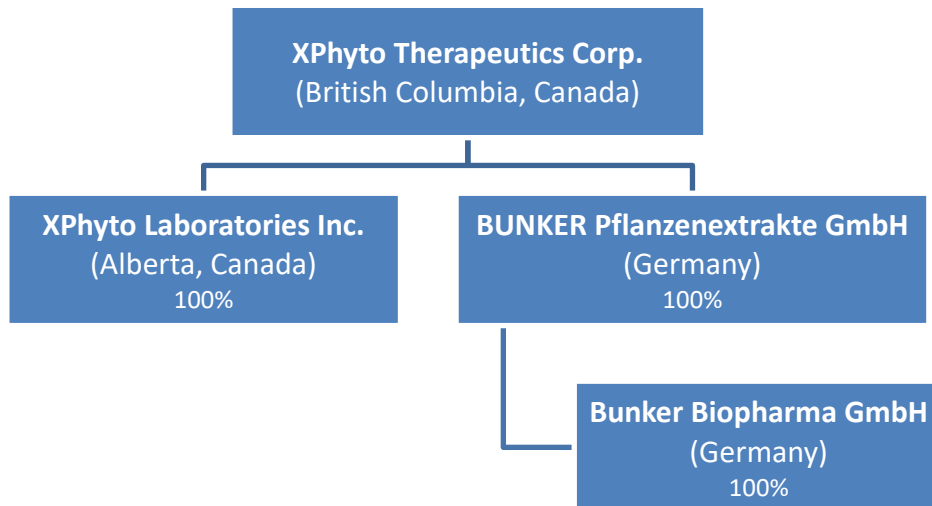
On November 14, 2018 Bunker acquired a wholly owned German “shelf” company, “SCUR-Alpha 998 GmbH” for the purpose of specific operational use, renamed “Bunker Biopharma GmbH”, on November 26, 2018.

The Company’s head office is located at Suite 1500 - 701 West Georgia Street, Vancouver, British Columbia, Canada, V6Y 1C6. The Company’s registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Intercorporate Relationships

The Company has two wholly-owned subsidiaries: (i) XPhyto Laboratories Inc. and (ii) BUNKER Pflanzenextrakte GmbH. Additionally, Bunker Bio-Pharma GmbH is a wholly-owned subsidiary of BUNKER Pflanzenextrakte GmbH.

The corporate structure of the Company is outlined in the diagram below and is current as at the date of filing of this Prospectus.



Subsidiaries

The Company owns 100% of the issued and outstanding common shares of XPhyto Labs. XPhyto Labs was incorporated in the province of Alberta on December 5, 2018 with its head office located at 1500 – 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. XPhyto Labs’ registered office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

The Company owns 100% of the issued and outstanding shares of Bunker which is a private limited liability company with a statutory seat in Buxheim, Germany. Bunker was registered at the Memmingen Commercial Register on December 16, 2015. The company’s head office, principal address and registered and records office is Hauptstrasse

29, D-87740 Buxheim, Germany.

Bunker owns 100% of the issued and outstanding shares of Bunker Biopharma GmbH. Bunker Biopharma is a private limited liability company with a statutory seat in Munich, Germany. Bunker Biopharma was registered at the Munich Commercial Register on April 26, 2018. The company's head office, principal address and registered and records office is Allgaustrabe 10, 87766 Memmingerberg, Germany.

THE BUSINESS

Overview

The Company, through its wholly-owned subsidiaries, operates in the medicinal cannabis industry, and is developing a testing, manufacturing, and research business in Canada and a research, cultivation, import, manufacturing, and distribution business in Germany. The principal business of the Company is the business of medicinal cannabis including but not restricted to, production, extraction, isolation, formulation, delivery, marketing and sales.

XPhyto Labs, a wholly owned Alberta subsidiary, is focused on development of an analytical testing and extract manufacturing business in collaboration with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta, and intends to subsequently pursue the invention and clinical study of proprietary cannabis-based formulas for medical indications. Analytical testing, manufacturing, formulation and clinical studies will be carried out pursuant to an exclusive agreement with Dr. Raimar Löbenberg in respect of the use of his dealer's license under provisions of the *Controlled Drugs and Substances Act* (Canada) and its regulations from Health Canada. Analytical testing and manufacturing will be carried out in laboratories at the University of Alberta with equipment and facilities upgrades to be funded by the Company.

XPhyto's wholly owned German subsidiary, Bunker, holds a long-term lease on a decommissioned former military command centre in Bavaria which is the proposed site associated with two pending licence applications and several future applications expected to be submitted in early 2019. The facility will require upgrades to its mechanical systems, fire and security systems, as well specialized flooring and ceiling modification to achieve GMP certification, which is a necessary component of all licence applications. Bunker has submitted a cannabis research licence application in collaboration with the Technical University of Munich, which was substantially re-submitted in July 2018, and also submitted a commercial cannabis cultivation licence application pursuant to the German tender process closed December 2018. The pending cultivation licences are limited to 200 kg of flower per licence per year. Applications for German cannabis import, storage, distribution and manufacturing (extraction, isolation and packaging) are expected to be submitted in the second quarter of 2019.

Three-Year History

Exclusive Dealing Agreement – Health Canada Licence

On August 20, 2018, the Company, through XPhyto Labs, signed an exclusive dealing agreement with Dr. Raimar Löbenberg with respect to commercial operations under his Health Canada license and to his cannabis related research and associated intellectual property. The agreement grants the Company an exclusive right to benefit from the exercise of Dr. Löbenberg's rights under Health Canada Licence No. 2017/6875 pursuant to the provisions of the *Controlled Drugs and Substances Act* (Canada) and its Regulations authorizing possession, production, packaging, sale, sending, transportation and delivery, and analytical testing of cannabis. As at the date of this Prospectus, XPhyto Labs does not have an active business.

In consideration for the rights and licenses granted by Dr. Löbenberg to the Company, the Company issued 5,000,000 common shares (the "**Consideration Shares**"), to a company controlled by Löbenberg at a value of \$625,000. The Consideration Shares are subject to voluntary pooling ("**Pooling**") for a period commencing on the effective date of the agreement and terminating on the date that is thirty-six months after the earlier of: (i) the date the Company's shares are listed for trading on the CSE, and (ii) the date that is six months after the effective date.

The exclusive use period commences on the closing date of the agreement and expires on the earlier of (i) termination

of the agreement, and (ii) the date that the last consideration shares are released from Pooling. The agreement contemplates renewal terms by mutual consent.

Dr. Löbenberg is entitled to revenue-based bonus payments from the sale of certain products developed by Dr. Löbenberg alone or jointly with the Company. If the Company generates at least \$10,000,000 in revenues annually from the products, Dr. Löbenberg is entitled to receive a Level One Bonus of \$200,000. If the Company generates at least \$5,000,000 in revenues annually from the products, Dr. Löbenberg is entitled to receive a Level Two Bonus of \$200,000. The Level Two Bonus is payable, at the election of the Company, either in cash or common shares at the current market price. The Company can terminate the Level One and/or Two Bonus entitlements by paying Dr. Löbenberg \$1,000,000 per each bonus entitlement.

Testing and Manufacturing – Canada

The initial phase of XPhyto’s business development is founded on two strategic cannabis-related collaborations with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta (the “**Faculty of Pharmacy**”): i) an exclusive five year agreement to co-develop and operate a commercial grade analytical lab for the testing of cannabis and other plant-based medicines (the “**Testing Agreement**”); and ii) an exclusive five year product manufacturing agreement to extract cannabis-derived compounds and produce pharmaceutical grade isolates (the “**Manufacturing Agreement**”).

Pursuant to both agreements, XPhyto shall provide the necessary start-up funding for any testing and manufacturing equipment and equipment and facility upgrades, as well as all ongoing operational expenses and business marketing. The Faculty of Pharmacy shall provide qualified staff, certified laboratory facilities, and ongoing regulatory support. Any necessary testing or manufacturing services not available within the Faculty of Pharmacy’s facilities shall be outsourced and coordinated by the Faculty of Pharmacy.

With respect to analytical testing, the Company entered into a Service Agreement Term Sheet dated May 30, 2018 with the Faculty of Pharmacy. Further to the Service Agreement Term Sheet, on September 28, 2018, the Company and the Board of Governors of the University of Alberta, executed a Commercial Analytical Lab Development and Services Agreement for the co-develop of a commercial grade analytical lab at UoA for the purpose of testing cannabis and other plant-based medicines.

The Commercial Analytical Lab Development and Services Agreement contemplates that the parties will enter into a service agreement under which the UoA will provide analytical testing services to the Company and third parties. The service agreement will have an initial 5 years term and require the Company to pay the UoA for its costs to operate and maintain the facility. Any profit (net revenue) from service fees will first be applied, to pay to the Company an amount equal to 125% of its capital expenditures in developing and establishing the analytical testing facility. Once the 125% threshold has been achieved, the Company and the UoA will equally share in profits (net revenues) from service fees.

The Company is responsible to fund the development and construction of the analytical testing facility. As of February 28, 2019, the Company has paid over 90 percent of all expected development costs including equipment, training, and facility upgrades.

On December 7, 2018, the Company and the Board of Governors of the University of Alberta, executed an exclusive five year Product Manufacturing Agreement pursuant to which the Faculty of Pharmacy and Pharmaceutical Sciences agreed to manufacture cannabis-based extracts and isolates in its ISO certified clean room for the Company for the purposes of research and clinical trials.

The Company is responsible to provide any necessary equipment for manufacture of the product. The current operating budget is estimated at \$140,000 per year plus start-up costs which is primarily comprised of a new Carbon dioxide extraction unit estimated at \$215,000.

The purpose of XPhyto’s analytical testing agreement is two-fold: (i) to provide third-party testing services to Canadian cannabis cultivators, wholesalers and retailers; and (ii) to provide in-house testing for XPhyto’s

manufacturing business. XPhyto does not intend to cultivate cannabis in Canada nor does it intend to sell cannabis in Canada. Accordingly, XPhyto believes it will be well positioned to provide independent analytical services to both growers and purchasers.

Manufacturing capability, focused on production of pharmaceutical grade isolates, is designed to provide XPhyto with access to materials for use in subsequent phases of its business development, namely formulation and pilot studies. Certified in-house testing combined with its manufacturing capability will help ensure access to quality product on a consistent and timely basis.

Formulations and Pilot Studies - Canada

Successful development of XPhyto's testing and manufacturing business (Phase I) is intended to lay the foundation for the development of proprietary formulations and related clinical studies. Using the pharmaceutical grade isolates from its manufacturing program, XPhyto intends to develop formulations for certain key medical indications, including but not limited to: pain, inflammation, and sleep disorders.

The Company expects to take a cautionary approach to formulation which entails advancing the formulation process with anecdotal data in mind but testing a number of different combinations of cannabinoid isolates for efficacy, regardless of presumed or historic status. XPhyto will also be investigating several delivery methods, including oral, sublingual, aerosol, and topical systems.

Dr. Löbenberg will be overseeing the formulation and delivery programs and any related pilot studies. The Faculty of Pharmacy, in collaboration with the Company, has been actively recruiting a PhD post-doc researcher (the "Post-Doc") to work on formulations and pilot studies for the Company. The Post-Doc will conduct research activities under the supervision of Dr. Löbenberg. The Company expects the Post-Doc to begin work on April 15, 2019. XPhyto's formulation business is expected to begin in Q2 2019.

The current budget does not include funding for pilot studies.

Independent Licencing – Canada

The Company intends to submit an application for a corporately held licence under provisions of the *Controlled Drugs and Substances Act* (Canada) and its regulations from Health Canada in collaboration with the University of Alberta or at a location outside the University of Alberta. The Company is reviewing its options in this regard.

The current budget does not include funding for operations at a location outside the University of Alberta.

German Acquisition

Bunker 88 – Germany

On October 22, 2018, the Company entered into a share exchange agreement to acquire all the issued and outstanding shares of Bunker Pflanzenextrakte GmbH ("Bunker") replacing an earlier letter of intent. As consideration, the Company will issue to Bunker shareholders 7,500,000 common shares of the Company. In addition, the Company shall reserve for issuance an aggregate of 2,500,000 common shares in the Company (the "Milestone Shares"). In the event that Bunker either (i) is granted a cultivation licence(s) within 24 months or (ii) generates EUR 2,500,000 gross revenue in an 18-month period within 36 months after the date of this agreement, then the Company will issue the Milestone Shares to Bunker shareholders.

The Company closed the share exchange agreement on December 13, 2018 and issued the 7,500,000 shares to Bunker shareholders. The 7,500,000 shares are subject to escrow and will be released in tranches over 36 months on the earlier of (i) the date of listing on the CSE and (ii) 6 months after the effective date of the agreement. For 36 months after closing, should any Bunker shareholder wish to sell any shares, the Company has the right of first refusal to purchase the shares. The Company also advanced funds to Bunker prior to closing and incurred costs relating to the transaction totaling \$1,286,722.

On October 1, 2017, Bunker entered into a commercial rental agreement with Flughafen Memmingen GmbH to lease Bunker 88 (the “**Bunker 88 Facility**”) for a period of ten years. Both parties have the option of renewing the agreement for one year at a time after the ten year period has expired.

Built in 1984, the Bunker 88 Facility is a former avionics station and nuclear bunker used by the German Bundeswehr Tornado fighter bomber squadron. The Bunker 88 Facility is located in Memmingerberg, Bavaria, on a historic Luftwaffe air force base that dates back to 1935. In 2004, the airport was released by the German government for civilian use and is now an operating commercial airport, Allgäu Airport (Munich West).

Constructed with radiation-proof doors, thick concrete double walls, back-up power, air filtration, and a dedicated internal water well, the Bunker 88 Facility was designed for self-sufficient survival for up to two weeks in the event of a nuclear disaster. Approximately 30 military staff operated the avionics station until it was put on care and maintenance in the eighties.

The five-sided outer shell (walls and roof) of the Bunker 88 Facility is formed with 1.4 m thick statically reinforced concrete walls with dimensions as follows: 18.75 m (H) x 54.9 m (W) x 31.3 m (D), with 6 m of the height below ground. There is also a 4.7m porch/loading area outside the North entrance. The six-sided inner shell (walls, floor and ceiling) is formed by statically reinforced concrete ranging in thickness from 0.95 m to 1.4 m. The internal floor space of the Facility is approximately 10,740 square feet.

The first stage of renovations to the Bunker 88 Facility include upgrades to the electrical systems, fire protection systems, security systems, lighting, plumbing, painting, floor or ceiling coverings, cleaning, and minor landscaping. The estimated total cost of the first stage of renovations is \$900,000. The first stage of renovations will be necessary to finalize any and all Cannabis-related licences in Germany; however, it is not necessary to carry out the renovation until preliminary approval has been received for a given licence.

The estimated cost for the first stage of renovations is not included in the current budget.

Cannabis R&D Licence Application – Germany

In 2017, Bunker submitted an application to BfArM for a cannabis research and development licence, based on proposed research to be conducted at the Bunker 88 Facility. On July 25, 2018, Bunker submitted a revised joint application for a research and development licence in collaboration with TUM. The majority of proposed work is to be conducted at the Bunker 88 Facility over a period of approximately three years.

The specific application was made to the Competent Authority BOPST for permission to cultivate and breed cannabis for research purposes pursuant to §3 BtMG (82.02-46383140214/16). The application is currently under review. TUM expressly supports this application and has requested early approval the BOPST.

The application generally relates to “production of high-quality cannabis raw material for medical and pharmaceutical uses”. The more specific objective is: determination of differential composition and biosynthesis of cannabinoids and related metabolites of cannabis trichomes depending on genetic background of different cultivars and cultivation conditions.

The working group collaborators at TUM will contribute their experience in the analysis of metabolites, metabolic pathways and ¹³C labelling studies on cannabis plant or trichomes, while Bunker will contribute its planned technical infrastructure for the large-scale and controlled cultivation of cannabis plants, as well as know-how in the cultivation of cannabis and the isolation and processing of cannabis trichomes. The preliminary research will systematically observe the influence of external conditions (e.g. substrate, light, nutrient solution) on the metabolite spectrum of 80 strains x 3 grow cycles/year x 4 replicates (960 total samples).

Extracts and isolation of cannabis trichomes will be carried out at the Bunker 88 Facility. The quantitative detection of the cannabinoids and other bioactive ingredients via HPLC, GC-MS and NMR will be carried out at TUM. The

dynamics of metabolism in cannabis trichomes and the spectrum of comparative data from trichomes will be investigated. Approximately five chemo-strains will be selected out of 80.

The ultimate purpose of the study is to create synergies in research, development, and commercial applications in the area of cannabis science “metabolomics”.

If preliminary approval is received for the cannabis R&D licence or a commercial cultivation licence (below), the Company will be required to invest in additional equipment and facility upgrades to receive final licence approval. The estimated cost of equipment and facility upgrades is approximately \$2,500,000 to \$3,000,000 and will be approximately the same whether the Company receives one or both licences. Funding for these upgrades are not included in the current budget.

Commercial Cultivation Licence – Germany

The first German cannabis cultivation tender was initiated by German health authority in 2017 but was cancelled after the proceedings had been successfully challenged in German courts. BfArM announced a second tender in mid-2018 with applications due December 11, 2018.

Bunker submitted an application to BfArM in December 2018 for a cannabis cultivation licence pursuant to the current tender process. The specific licences sought are authorizations for handling narcotic drugs from the BOPST pursuant to §3 BtMG and a cultivation specific manufacturing licence from the local authority, RO pursuant to §13 AMG. BfArM is currently reviewing the application. The evaluation procedure is currently ongoing.

The cultivation tender was an open tender for which any applicant could apply so long as they met the professional and financial qualifications and provided financial pricing models and concept designs for production. The applications are being evaluated 40% on projected price per gram of cannabis and 60% on the quality of application.

The tender is separated into 13 individual lots, each pertaining to a planned annual production amount of 200 kg per year (for four years). BfArM will be obliged to take delivery of up to 150% of the planned annual amount. In addition, the parties may agree to an increase of the planned annual amount by up to 10%. Each bidder may receive a maximum of five lots. The Cannabis Agency will control the cultivation, harvesting, processing, quality inspection, storage, packaging and distribution of product to wholesalers and pharmacists or manufacturers.

Companies participating in the tender must demonstrate that they directly or indirectly have the capability to fulfill the contract through prior experience in cultivating and processing of cannabis or through experience in the cultivation of other medicinal plants. The bidder (or one of the partners of a bidder consortium) can present its own references or it may rely on the references of a third party if the bidder offers proof that the know-how of this third party will be available to the bidder during contract performance. Prior to the tender application, Bunker engaged the German medicinal plant grower and processor, Ispex Pflanzen - Rohstoff GmbH (“Ispex”), in a long-term consulting contract to participate in the cultivation tender and provide the required expertise. Ispex is a GMP and ISO certified grower and medicinal plant extractor and manufacturer based in Germany.

Professional experience, budget planning and professional liability insurance are reviewed by BfArM as part of the process. Further, the bidders must submit a variety of information and concepts that are evaluated by BfArM. This includes information on the technical equipment to be used, the construction of the plantation site, the planned cultivation and production processes, the production cycles, the selection and training of staff, and security measures to prevent illicit use of the cannabis. Bunker has been working closely with the German-based consulting firm, Pharmalex GmbH (“Pharmalex”), on issues related to design, budgeting, quality control and compliance. Pharmalex is one of the largest specialized providers of life science focused development consulting, regulatory affairs, quality management & compliance and risk management in the world.

Cannabis grown for the Cannabis Agency will be used exclusively for medical purposes and must be cultivated in accordance with Good Agricultural and Collection Practice (“GACP”) and processed according to Good Manufacturing Practice (“GMP”) one of the highest technical standards. The production of cannabis must also comply with the requirements of German law on narcotics and medical products. The selected companies will be

responsible for the entire cannabis production process, from start to finish, including cultivation, processing, quality control and clearance, storage, packaging, delivery and destruction of the remaining plants.

The Cannabis Agency is the exclusive purchaser of cannabis from the selected companies and will set a price for the sale to wholesalers or pharmacies taking into account its own costs but without making any profits or surpluses itself. The Cannabis Agency has no influence on the retail prices in the pharmacy.

If preliminary approval is received for the cannabis R&D licence (above) or a commercial cultivation licence, the Company will be required to invest in additional equipment and facility upgrades to receive final licence approval. The estimated cost of equipment and facility upgrades is approximately \$2,500,000 to \$3,000,000 and will be approximately the same whether the Company receives one or both licences. Funding for these upgrades are not included in the current budget

Import, Wholesale and Manufacturing Licences – Germany

In 2017, Germany amended its narcotics and drugs legislation to permit legal prescriptions of medical cannabis. Except for the domestic production expected from the current tender process, cannabis is only available for medical purposes by means of import.

Bunker intends to apply concurrently for several related cannabis licences: import, wholesale (storage and distribution), and manufacturing. Bunker expects to make the applications in Q2 2019. The review process is expected to take approximately six to nine months from the date of application.

Import, wholesale, and manufacturing licences require an authorization to handle narcotic drugs which is granted by the BOPST pursuant to §3 BtMG. The main requirements are listed in the references published by BOPST which include the appointment of a Narcotic Drug Officer pursuant to §§5, 6, 7 BtMG, and the installation of secure areas and respective QM/SOP systems pursuant to §§5, 15 BtMG.

Bunker intends to apply for a license to import cannabis through the local authority RO pursuant to §72 AMG. The primary requirements are proven compliance with GMP/GDP Guideline requirements (QM/SOP system, appointment of Narcotic Drug Officer and approved premises) and GMP certificate equivalent to EU-GMP from the exporting company.

Bunker also intends to apply for a licence to store, distribute, and manufacture cannabis in Germany which is granted by the local authority RO pursuant to §13 and §52a AMG. The main requirements are proven compliance with the respective ordinance in the AMG, AMWHV, BtMG and GDP Guideline requirements (e.g. QM/SOP system, appointment of a Narcotic Drug Officer and appropriate premises). Manufacturing includes extraction, isolation, and packaging of cannabis derived products.

Bunker has engaged an independent consultant to assist the Company with its import, wholesale, and manufacturing licence applications and business. The consultant is a licensed German pharmacist with a doctorate degree in pharmacy and the following regulated qualifications in Germany: Qualified Person (QP), Production Manager (AMG), Control Manager (AMG), Narcotics Officer (BtMG and EU-QPPV), EU Qualified Person (QP) for Pharmacovigilance, and RP (GDP and Information Officer). He also currently personally holds active narcotics licences in Germany. The costs associated with the import, wholesale, and manufacturing licence applications and associated consulting fees are included in the budget in the general and administrative expenses..

The Company's head office, principal address and registered and records office is Hauptstrasse 29, D-87740 Buxheim, Germany.

Financings

During the period ended December 31, 2017, the Company issued 500,000 common shares at \$0.05 per share for gross proceeds of \$25,000 to a founding Director of the Company which was received in January 2018.

On January 31, 2018, the Company issued 17,340,000 units at \$0.125 per unit for gross proceeds of \$2,167,500. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from the Listing Date. The Company also issued 1,387,200 finders warrants to purchase an aggregate of 1,387,200 common shares at a price of \$0.125 per share for a period of two years from the date of listing.

On May 31, 2018, the Company issued 5,762,000 units at \$0.125 per unit for gross proceeds of \$720,250. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from the Listing Date. The Company also issued 460,960 finders warrants to purchase an aggregate of 460,960 common shares at a price of \$0.125 per share for a period of two years from the date of listing.

On July 31, 2018, the Company issued 1,250,000 units at \$0.125 per unit for gross proceeds of \$156,250. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from the Listing Date. The Company also issued 100,000 finders warrants to purchase an aggregate of 100,000 common shares at a price of \$0.125 per share for a period of two years from the date of listing.

On November 30, 2018, the Company issued 862,000 units at \$0.125 per unit for gross proceeds of \$107,750. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from the Listing Date. Included in the issued shares are 200,000 escrowed shares issued to an Officer of the Company which will be released from escrow in tranches over 36 months from the Listing Date.

On December 28, 2018, the Company completed Tranche 1, and on February 28, 2019 the Company completed Tranche 2, of the non-brokered private placement of 5,565,500 Special Warrants (pursuant to prospectus and registration exemptions in Canada and the United States) at a price of \$0.40 per Special Warrant for aggregate gross proceeds of \$2,226,200. Each Special Warrant entitles the holder thereof to acquire, for no additional consideration, one Common Share and one SW Warrant pursuant to the terms and conditions in the Special Warrant Certificates. Each SW Warrant exercisable into an additional Common Share for a period of two years after the Listing Date or five years from the date of closing at an exercise price of \$1.20 per Common Share. The Company also issued 351,640 finders warrants to purchase an aggregate of 351,640 common shares at a price of \$0.40 per share for a period of two years from the date of listing in respect of Tranche 1 and 89,600 finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of two years from the Listing Date in respect of Tranche 2.

On February 28, 2019, the Company issued 457,500 units at \$0.40 for gross proceeds of \$183,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one additional common share at a price of \$1.20 per share for a period equal to the shorter of (i) two years from the listing date on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the units. The Company also issued 36,600 finders warrants to purchase an aggregate of 36,600 common shares at a price of \$0.40 per share for a period of two years from the Listing Date.

Principal Products and Services

XPhyto is a start-up and development company. The Company intends to offer several cannabis-related products and services in Canada and Germany: analytical testing (Canada), manufacturing of pharmaceutical grade extracts and isolates (Canada), GMP certified flower (Germany) and import, distribution and manufacturing services (Germany). The Company expects that formulation (Canada) and research (Germany) will be developed for proprietary business purposes that may include eventual commercializing by way of product sales, intellectual property sales, licencing, royalty streaming, or other means.

Employees, Specialized Skill and Knowledge

As of the date of this Prospectus, the Company has six individuals working, five full-time and one part-time. The operations of the Company are managed by its directors and officers.

The nature of the Company's business requires specialized knowledge and technical skill around the provision of analytical testing, manufacturing services, as well as cultivating, harvesting, production, and regulation of cannabis in Germany. The required skills and knowledge to succeed in this industry are available to the Company through certain members of the Company's management, directors, officers, and advisory teams.

Competitive Conditions

The fast-growing market for legalized cannabis in both Canada and the Germany has created a competitive environment for companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets. See "*Risk Factors*".

Currently, there is limited competition in Canada in the field of independent provision of testing of cannabis products, which is one of the segments of the Company, however as the cannabis industry grows and new competitors enter the market there is the potential for increased levels of competition.

Within Germany, the regulatory environment is such that the cannabis industry is in a stage of growth as licensing for domestic cultivation begins. As such, the competitive climate has not fully emerged. There are multiple companies, including Canadian companies, which are submitting tenders to the German government for licensing for cultivation. The result could be a highly competitive climate, depending on the decisions made throughout the tendering process by the relevant governing authorities.

Proprietary Protection

The Company currently plans to rely on trade secrets and proprietary knowledge until such time as patents can be filed. The Company currently owns the trademark "XPhyto" in North America and plans to file trademark applications in Europe in Q2 2019.

Employees

As of December 31, 2018, the Company had one employee subject to pending employee contracts for the CEO and CFO of the Company and the managing director and CFO of Bunker, which were effective January 1, 2019.

Foreign Operations

The Company conducts business in Germany by way of Bunker, its wholly owned subsidiary.

Bankruptcy and Similar Procedures

The Company has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

USE OF AVAILABLE FUNDS

Since no securities are being sold pursuant to this Prospectus, no proceeds will be raised.

Funds Available

This is a non-offering Prospectus. The Company is not raising any funds in conjunction with this Prospectus and, accordingly, there are no proceeds to be raised by the Company pursuant to this Prospectus.

As a result, as at December 31, 2018, the Company had negative cash flows from operations. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms

at least as favorable to the Company as those previously obtained, or at all. See “*Risk Factors*”.

As of February 28, 2019, the Company has cash on hand of approximately \$2,460,851 and the working capital balance is \$2,290,312.

Item	\$
<u>Funds Available</u>	
Working capital of XPhyto as at February 28, 2019,	2,290,312
Total Available Funds	2,290,312
Principal Purposes for the Available Funds	
Testing lab upgrade	35,000
Manufacturing facility and formulation	256,905
German operating costs	475,903
General and administrative costs for 12 months ⁽²⁾	1,150,652
Unallocated working capital to fund ongoing operations and for reviewing business opportunities	371,852
Total	2,290,312

Notes:

- (1) General and administrative costs are broken down as follows: (i) wages and salaries (\$598,760), (ii) professional fees (\$311,425), (iii) rent, office supplies, and other (\$240,467).

The Company intends to spend the funds available to it in order to upgrade the testing lab and manufacturing facility at UoA, initiate preliminary research on formulations and clinical testing, and German licence applications and its listing on the CSE. The Company intends to spend the funds available to it as stated in this Prospectus. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the cannabis industry, projects may be frequently reviewed and reassessed. Accordingly, while it is currently intended by Management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations.

Business Objectives and Milestones

The primary business objectives for the Company over the next 12 months are:

Milestone	Timeline	Expected Cost
Testing lab upgrades	March 2019	\$35,000
Manufacturing facility	March 2019 to February 2020	\$256,905
German operating costs	March 2019 to February 2020	\$475,903

Testing lab upgrades and start-up and manufacturing facility start-up

XPhyto has signed two strategic cannabis-related collaborations with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta: i) an exclusive five year agreement to co-develop and operate a commercial grade

analytical lab for the testing of cannabis and other plant-based medicines; and ii) an exclusive five year product manufacturing agreement to extract cannabis-derived compounds and produce pharmaceutical grade isolates.

The primary requirement necessary to complete the testing lab and manufacturing facility was the purchase and installation of upgraded equipment in laboratories at UoA. Testing equipment was ordered in November 2018, purchased in December 2018 and was delivered in January 2019. Extraction equipment was ordered and a 60% deposit was paid in December 2018, and is expected to be delivered in April 2019. The Company expects installation and commissioning of equipment to take approximately 30 days from delivery.

Formulation development

Using pharmaceutical grade isolates from its manufacturing program, XPhyto intends to develop formulations for certain key medical indications, including but not limited to: pain, inflammation, and sleep disorders. Subject to additional funding, the Company intends to test a number of different combinations of cannabinoid isolates for patient efficacy in collaboration with clinical researchers. Initial pilot studies are expected to include less than 30 patients per cohort.

German licence applications

The Company and its wholly subsidiaries intend to apply concurrently for several related cannabis licences in Germany associated with the Bunker facility: import, wholesale (storage and distribution), and manufacturing. The review process is expected to take approximately six to nine months from the date of application.

German facility upgrades

Subject to successfully obtaining import, wholesale, and manufacturing licences, the Company intends to build out the Bunker facility accordingly in several phases depending on the outcome of the respective pending and future licence applications. Renovations are expected to include resurfacing of the floors and ceilings, upgraded electrical, fire and security systems, specialized paint on all wall surfaces, and the installation of sanitation facilities for workers. Based on the recommendation of third-party life-science consultants in Germany, the first phase of construction should achieve a sufficient GMP standard to operate pursuant to an import, wholesale and manufacturing licence.

Additional renovations will be required should the Company secure a research and development licence or a commercial cultivation licence which are expected to include upgrades to the environmental control systems to regulate light, temperature, humidity, and air exchange in the growing areas.

DIVIDENDS OR DISTRIBUTIONS

The Company has not declared dividends on any of their shares in the past and do not intend to pay any in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected financial information for the Company on a consolidated basis, summarized from the Company Financial Statements, attached as Schedule “A”.

	Consolidated Financial Statements for the year ended December 31, 2018 <u>(audited) (CAD\$)</u>
Revenue	-
Total Expenses	(860,600)

Net Income (Loss)	(860,600)
Current Assets	2,469,760
Total Assets	9,199,493
Total Liabilities	1,437,168
Shareholders' Equity (Deficiency)	7,762,325

MANAGEMENT'S DISCUSSION AND ANALYSIS

Attached to this Prospectus at Schedule "B" is the Company MD&A. The Company MD&A provides an analysis of the Company's financial results for the year ended December 31, 2018, which should be read in conjunction with the financial statements of the Company for the corresponding period, and the notes thereto respectively.

Certain information included in the Company MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Forward-Looking Statements*" for further details.

DESCRIPTION OF THE SECURITIES

Authorized and Issue Share Capital

The authorized capital of the Company includes an unlimited number of Common Shares.

Common Shares

The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the Company Shareholders and each Common Share confers the right to one vote in person or by proxy at all meetings of the Company Shareholders. The holders of the Common Shares are entitled to receive such dividends in any financial year as the Company's board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, holders of Common Shares are entitled to share ratably, in such assets of the Company as are available for distribution.

As of the date of this Prospectus, there are 39,921,500 Common Shares issued and outstanding. The Company expects to issue 5,565,500 Common Shares upon exercise of the Special Warrants pursuant the Private Placement.

Warrants

As at the date of this Prospectus, the Company has 15,740,500 Warrants outstanding. The Company expects to issue 5,565,500 SW Warrants upon deemed exercise of the Special Warrants on the Special Warrants Exercise Date. The SW Warrants will be represented by Warrant Certificates to be issued by the Company. The following summary of certain provisions of the SW Warrants does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Certificates.

Each SW Warrant will be exercisable by the holder to acquire one common share (the "**Warrant Shares**") at a price of \$1.20 per Warrant Share for a period equal to the shorter of (a) two years after the Listing Date, and (b) five years after the issue date of the Special Warrants.

The number of Warrant Shares issuable upon exercise of the SW Warrants will be subject to standard anti-dilution provisions, including an adjustment in certain events including, without limitation, the subdivision or consolidation

of the outstanding Common Shares, the issue of Common Shares or securities convertible into Common Shares by way of stock dividend or distribution, a dividend or distribution paid to all or substantially all of the holders of Common Shares, the issue of rights, options or warrants to all or substantially all of the holders of Common Shares in certain circumstances, and the distribution to all or substantially all of the holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets. The number of Warrant Shares issuable upon exercise of SW Warrants will also be subject to standard anti-dilution adjustments upon share consolidations, share splits, spin-off events, rights issues and reorganizations.

PLAN OF DISTRIBUTION

This prospectus qualifies the distribution of the Qualified Securities, consisting of the Common Shares and SW Warrants issuable upon the deemed exercise of the previously issued Special Warrants. The Special Warrants were sold to subscribers at a price of \$0.40 per Special Warrant for aggregate gross proceeds of \$2,226,200.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by Plus Market Groups plc).

The Company intends to apply to list its Common Shares on the CSE. Listing will be subject to the Company fulfilling all the listing requirements of the CSE.

The Special Warrants and the underlying Common Shares, SW Warrants and Warrant Shares have not been and will not be registered under the U.S. Securities Act or under any state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities qualified for distribution hereunder within the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act).

The Special Warrants were issued pursuant to the terms of the Special Warrant Certificates representing the Special Warrants. The Special Warrant Certificates provide, among other things, that Special Warrant holders are entitled to receive in respect of each Special Warrant held, without additional consideration and without any further action on the part of the holder thereof, one Common Share and one SW Warrant. The Special Warrants will be deemed exercised for Common Shares and SW Warrants on the Special Warrant Exercise Date.

The SW Warrants will be represented by Warrant Certificates to be issued by the Company. See “*Description of the Securities Distributed – Warrants*”.

Certificates or DRS advices representing the Common Shares and SW Warrants to be issued upon deemed exercise of the Special Warrants will be available for delivery upon the deemed exercise of the Special Warrants.

The Company is not currently a reporting issuer in any province or territory of Canada.

CONSOLIDATED CAPITALIZATION

Other than as indicated below, there have been no material changes in the share capitalization or in the indebtedness of the Company since incorporation on December 12, 2017.

The following chart sets out the capitalization of the Company as at December 31, 2018 and the date of this Prospectus:

	<u>Amount Authorized</u>	<u>Amount Outstanding as of December 31, 2018</u>	<u>Amount Outstanding as of the date of this Prospectus</u>
Common Shares	Unlimited	39,464,000	39,921,500
Options	Up to 10% of the issued and outstanding Common Shares	1,000,000 ⁽¹⁾	1,000,000 ⁽¹⁾

	<u>Amount Authorized</u>	<u>Amount Outstanding as of December 31, 2018</u>	<u>Amount Outstanding as of the date of this Prospectus</u>
Warrants ⁽²⁾	Unlimited	12,607,000	13,064,500
Finders' Warrants ⁽³⁾	Unlimited	2,549,800	2,676,000
Common Shares to be issued upon deemed exercise of Special Warrants	Unlimited	4,445,500	5,565,500
Common Shares issuable upon exercise of the SW Warrants to be issued upon deemed exercise of the Special Warrants	Unlimited	4,445,500	5,565,500

Notes:

- (1) The Company has 1,000,000 stock options issued and outstanding issued to the Company's CEO and CFO in the amount of 650,000 and 350,000 stock options respectively. The stock options vest 25% every six months from the date of grant and fully vest after 24 months from the date of grant. The stock options are exercisable for a period of five years at an exercise price of \$0.50 per Common Share.
- (2) In connection with the Company's non-brokered private placement of Units, the Company issued 12,607,000 Warrants, with each such Warrant entitling the holder thereof to acquire one Common Share of the Company at price of \$0.70 per share for a period of two years from the Listing Date. The Company subsequently completed a second non-brokered private placement of Units, pursuant to which 457,500 Warrants were issued, with each such Warrant entitling the holder thereof to acquire one Common Share of the Company at a price of \$1.20 per share for a period of two years from the date of listing.
- (3) On January 31, 2018, in connection with the closing of the Company's non-brokered private placement of Common Shares, the Company issued 1,387,200 Finders' Warrants to certain finders. Each such Finders' Warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.125 per Common Share exercisable for a period expiring 24 months from the Listing Date. On May 31, 2018, in connection with the closing of the Company's non-brokered private placement of Common Shares, the Company issued 460,960 Finders' Warrants to certain finders. Each such Finders' Warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.125 per Common Share exercisable for a period expiring 24 months from the Listing Date. On July 31, 2018, in connection with the closing of the Company's non-brokered private placement of Common Shares, the Company issued 100,000 Finders' Warrants to certain finders. Each such Finders' Warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.125 per Common Share exercisable for a period expiring 24 months from the Listing Date. On December 13, 2018 in connection with the closing of the share exchange agreement, the Company issued 250,000 Finders' Warrants to certain finders. Each such Finders' Warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.125 per Common Share exercisable for a period expiring 24 months from the date of listing. On December 28, 2018 in connection with the Company's closing of Tranche 1 of the Private Placement, the Company issued 351,640 finders warrants to purchase an aggregate of 351,640 common shares at a price of \$0.40 per share for a period of two years from the Listing Date. On February 28, 2019, in connection with the Company's closing of Tranche 2 of the Private Placement, the Company issued 89,600 finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of two years from the date of listing. On February 28, 2019, in connection with the Company's non-brokered private placement of Units, the Company issued 36,600 Finders' Warrants to certain finders. Each such Finder's Warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.40 per Common Share exercisable for a period expiring 24 months from the Listing Date.

OPTION TO PURCHASE COMMON SHARES

On December 10, 2018, the Board of Directors has adopted a 10% rolling stock option plan (the "Stock Option Plan") under which Options may be granted to the Company's directors, officers, employees and consultants. See "*Executive Compensation.*"

The following is a summary of the material terms of the Stock Option Plan:

- (i) the maximum number of Options which may be granted to any one holder under the Stock Option Plan within any 12 month period shall be 5% of the number of issued and outstanding Common Shares (unless the Company has obtained disinterested shareholder approval if required by applicable laws);
- (ii) if required by applicable laws, disinterested shareholder approval is required to the grant to related persons, within a 12 month period, of a number of Options which, when added to the number of outstanding Options granted to related persons within the previous 12 months, exceed 10% of the issued Common Shares;
- (iii) the expiry date of an Option shall be no later than the tenth anniversary of the grant date of such Option;

- (iv) the maximum number of Options which may be granted to any one consultant within any 12 month period must not exceed 2% of the number of issued and outstanding Common Shares;
- (v) the maximum number of Options which may be granted within any 12 month period to employees or consultants engaged in investor relations activities must not exceed 2% of the number of issued and outstanding Common Shares and such Options must vest in stages over 12 months with no more than 25% of the Options vesting in any three month period;
- (vi) the exercise price of any Option issued under the Stock Option Plan shall not be less than the Market Value (as defined in the Stock Option Plan) of the Common Shares as of the grant date; and
- (vii) the Board, or any committee to whom the Board delegates, may determine the vesting schedule for any Option.

The following table summarizes the allocation of the Options granted by the Company up to the date of this Prospectus:

Optionee	Number of Options	Exercise Price	Expiry Date
Executive Officers as a group ⁽¹⁾	1,000,000	\$0.50	December 20, 2023 ⁽²⁾
Total:	1,000,000		

Notes:

- (1) This information applies to the two executive officers of the Company, one of which is also a director of the Company.
- (2) The stock options vest 25% every six months from the date of grant and fully vest after 24 months from the date of grant. The stock options are exercisable for a period of five years at an exercise price of \$0.50 per Common Share.

PRIOR SALES

For the 12-month period before the date of the Prospectus, the Company issued the following Common Shares, securities convertible into Common Shares, and Common Shares issuable as consideration for milestone achievement;

Date of Issuance	Security Type	Number of Securities	Issue/Exercise Price
May 31, 2018	Common Shares	5,762,000 ⁽²⁾	\$0.125
May 31, 2018	Warrants	2,881,000 ⁽³⁾	\$0.70
May 31, 2018	Finder's Warrants	460,960 ⁽⁴⁾	\$0.125
July 31, 2018	Common Shares	1,250,000 ⁽²⁾	\$0.125
July 31, 2018	Warrants	625,000 ⁽³⁾	\$0.70
July 31, 2018	Finder's Warrants	100,000 ⁽⁴⁾	\$0.125
August 17, 2018	Common Shares	5,000,000 ⁽⁵⁾	\$0.125
September 4, 2018	Common Shares	500,000 ⁽⁶⁾	\$0.125
November 30, 2018	Common Shares	862,000 ⁽²⁾	\$0.125
November 30, 2018	Warrants	431,000 ⁽³⁾	\$0.70
December 13, 2018	Common Shares	7,500,000 ⁽⁷⁾	\$0.40
December 13, 2018	Common Shares	750,000 ⁽⁸⁾	\$0.40

Date of Issuance	Security Type	Number of Securities	Issue/Exercise Price
December 13, 2018	Finder's Warrants	250,000 ⁽⁸⁾	\$0.125
December 13, 2018	Common Shares (milestone)	2,500,000 ⁽⁹⁾	N/A
December 28, 2018	Special Warrants	5,565,500 ⁽¹⁰⁾	\$0.40
December 28, 2018	Finder's Warrants	351,640 ⁽¹¹⁾	\$0.40
February 28, 2019	Common Shares	457,500 ⁽¹²⁾	\$0.40
February 28, 2019	Warrants	457,500 ⁽¹²⁾	\$1.20
February 28, 2019	Special Warrants	1,120,000 ⁽¹³⁾	\$0.40
February 28, 2019	Finder's Warrants	126,200 ⁽¹⁴⁾	\$0.40
March 14, 2019	Common Shares (milestone)	250,000 ⁽¹⁵⁾	N/A

Notes:

- (1) Issued to a director of the Company.
- (2) Issued pursuant to a non-brokered private placement of Common Shares.
- (3) Issued pursuant to a non-brokered private placement of Common Shares. Each Warrant is exercisable into one Common Share at a price of \$0.70 per Common Share for a period of 24 months from the Listing Date.
- (4) Issued pursuant to a non-brokered private placement of Common Shares. Each Finders' Warrant is exercisable into one Common Share at a price of \$0.125 per Common Share for a period of 24 months from the Listing Date.
- (5) Issued upon completion of the Exclusive Dealing Agreement with Dr. Raimar Löbenberg. These Common Shares are subject to Pooling.
- (6) Issued upon completion of the Exclusive Dealing Agreement.
- (7) Issued upon completion of the Share Exchange Agreement with Bunker. These Common Shares are subject to a voluntary escrow.
- (8) Issued upon completion of the Share Exchange Agreement with Bunker.
- (9) Issuable upon Bunker obtaining a commercial cannabis cultivation license in Germany, pursuant to the Share Exchange Agreement with Bunker. Specifically, if Bunker meets the milestone of obtaining a commercial cannabis cultivation license in Germany, then the former Bunker shareholders will be eligible for 2,500,000 milestone Common Shares for no additional consideration.
- (10) Issued pursuant to the Private Placement.
- (11) Issued pursuant to Tranche 1 of the Private Placement of SW Warrants. Each Finders' Warrant is exercisable into one Common Share at a price of \$0.40 per SW Warrant for a period of 24 months from the Listing Date.
- (12) Issued pursuant to a non-brokered private placement of units consisting of one common share and one common share purchase warrant.
- (13) Issued pursuant to Tranche 2 of the Share Exchange Agreement with Bunker.
- (14) 89,600 Finders' Warrants were issued pursuant to the closing of Tranche 2, while 36,600 Finders' Warrants were issued pursuant to the non-brokered private placement of units of the Company that closed concurrently. Each Finders' Warrant is exercisable into one Common Share at a price of \$0.40 per SW Warrant for a period of 24 months from the Listing Date.
- (15) Issuable to an independent German-based pharmaceutical consultant based on an agreement for cannabis-related narcotics licencing and business advisory services executed on March 14, 2019.

Private Placement

On December 28, 2018, the Company completed Tranche 1 and on February 28, 2019 the Company completed Tranche 2 of a non-brokered private placement of 5,565,500 Special Warrants (pursuant to prospectus and registration exemptions in Canada and the United States) at a price of \$0.40 per Special Warrant for aggregate gross proceeds of \$2,226,200. Each Special Warrant entitles the holder thereof to acquire, for no additional consideration, one Common Share and one SW Warrant pursuant to the terms and conditions in the Special Warrant Certificates. Each SW Warrant exercisable into an additional Common Share for a period of two years after the Listing Date or five years after the date of closing at an exercise price of \$1.20 per Common Share. The Company also issued 351,640 finders warrants to purchase an aggregate of 351,640 common shares at a price of \$0.40 per share for a period of two years from the Listing Date in connection with Tranche 1, and issued 89,600 finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of two years from the date of listing in connection with Tranche 2.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Company as of the date hereof, the following are the only persons that beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company:

<u>Name</u>	<u>Number of Common Shares Owned, Controlled or Directed</u>	<u>% of Outstanding Common Shares⁽¹⁾</u>
Dr. Raimar Löbenberg	5,000,000	12.52%

Notes:

- (1) Percentage is based on 39,921,500 Common Shares issued and outstanding as of the date hereof and is calculated on an undiluted basis.
- (2) The shares are issued in the name of JRC Therapeutics Inc., a company controlled by Dr. Raimar Löbenberg.

As at the date of this Prospectus, the securities expected to be subject to escrow upon completion of the listing of the Common Shares on the CSE are shown in the following table:

<u>Designation of Class</u>	<u>Total number of securities held in escrow or that are subject to a contractual restriction on transfer</u>	<u>Percentage of Class</u>
Common Shares	12,700,000 ^{(1) (2) (3)}	31.81%

Notes:

- (1) 5,000,000 Common Shares held in Escrow and released over a 36-month period pursuant to an Exclusive Dealing Agreement dated August 20, 2018 between a certain shareholder of the Company and the Company. The release of the Common Shares under the Escrow Agreement are as follows: 10% on the earlier of date of listing on the CSE and six months after the effective date of August 20, 2018 and thereafter 15% released every six months over a 36-month period. The Common Shares are issued in the name JRC Therapeutics Inc., a company controlled by Dr. Raimar Löbenberg.
- (2) 7,500,000 Common Shares held in Escrow and released over a 36-month period pursuant to the closing of a Share Exchange Agreement dated October 22, 2018 between certain shareholders of the Company and the Company. The release of the Common Shares under the Escrow Agreement are as follows: 10% on the earlier of date of listing on the CSE and six months after the effective date of December 13, 2018 and thereafter 15% released every six months over a 36-month period. Wolfgang Probst, a director of the Company, holds 1,102,500 of the 7,500,000 shares.
- (3) 700,000 Common Shares held by the other directors and officers, as the case may be (being Hugh Rogers and Christopher Ross) are held in escrow.

Percentage is based on 39,921,500 Common Shares issued and outstanding as of the date hereof.

<u>Release Date</u>	<u>Amount of Securities to be Released</u>
On the earlier of (i) date the Company's securities are listed on a Canadian Exchange (Hugh Rogers and Christopher Ross) and (ii) 6 months after August 20, 2018 (JRC Therapeutics Inc.) or 6 months after December 13, 2018 (Bunker shareholders) (the "initial release date")	10% of escrow securities
6 months after the initial release date	15% of escrow securities
12 months after the initial release date	15% of escrow securities
18 months after the initial release date	15% of escrow securities
24 months after the initial release date	15% of escrow securities
30 months after the initial release date	15% of escrow securities

Release Date

36 months after the initial release date

Amount of Securities to be Released

15% of escrow securities

TRADING PRICE AND VOLUME

The Common Shares were not previously traded on any market or exchange.

DIRECTORS AND EXECUTIVE OFFICERS

The names, municipalities of residence, number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, and the offices held by each in the Company and the principal occupation of the directors and senior officers of the Company during the past five years are as follows:

Name and Municipality of Residence⁽¹⁾	Position Held⁽²⁾	Principal Occupation for Last Five Years⁽³⁾	Number of Common Shares of the Company Held Directly or Indirectly as of March 25, 2019 (% of class)⁽⁴⁾	
			Common Shares	(% of class)
Hugh Rogers British Columbia, Canada	President and Chief Executive Officer, since December 2017, and Director, since December, 2017	Interim Chairman of 3D Signatures Inc from September 2018 to present. Director and former CEO of Clear Blue Technology International Inc. (formerly Dagobah Ventures Ltd.) from May 2017 to present. Director of Clear Blue Technology International Inc. (formerly Dagobah Ventures Ltd.) from May 2017 to July 2017. Director of RepliCel Life Sciences Inc. from February 2017 to December 2018. CEO and director of Coronado Resources Ltd. from March 2015 to October 2017.	500,000	1.25%
Christopher Ross British Columbia, Canada	Chief Financial Officer, since September 2018	Chartered Professional Accountant providing Corporate Controller and consulting services.	200,000	0.50%
Dr. Raimar Löbenberg Alberta, Canada	Director, since December, 2018	Founder and director of the Drug Development and Innovation Centre, Faculty of Pharmacy and Pharmaceutical Sciences at the University of Alberta.	5,000,000	12.52%
Wolfgang Probst, Germany	Director, since December, 2018	Deputy Chairman of ProFinvest, a management consulting firm focused on small to medium-sized companies, since 2011. CFO of Bunker Pflanzenextrakte GmbH from 2017 to present.	1,102,500	2.76%

Notes:

- (1) Information as to municipality of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective individuals as of the date of this Prospectus.
- (2) The term of office of each of the directors expires on the earlier of the Company's next annual general meeting or upon resignation. The term of office of the officers expires at the discretion of the directors.
- (3) See "*Biographies of Directors and Officers*" for additional information regarding the principal occupations of the Company's directors and officers.
- (4) Based on 39,921,500 issued and outstanding Common Shares as of the date of this Prospectus and excluding the Private Placement. Hugh Rogers and Christopher Ross also hold 650,000 and 350,000 stock options respectively. See: "*Option to Purchase Common Shares*".

The Company's directors and officers as a group, beneficially own, directly and indirectly, or exercise control or direction over, 6,802,500 Common Shares, representing 17.04% of the issued and outstanding Common Shares as of the date of this Prospectus.

Biographies of Directors and Officers

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

Hugh Rogers (Age 39) – Chief Executive Officer and Director

Mr. Rogers is an entrepreneur and lawyer with private and public start-up experience in a range of industries and operational roles. Recent work has focused on public-listings and corporate restructuring in the life science and energy industries. From May 2017 to July 2017, Mr. Rogers was CEO and director of Dagobah Ventures Ltd., which subsequently acquired Clear Blue Technologies International Inc., an off-grid alternative energy company, through a share exchange, TSX Venture Exchange ("**TSX-V**") listing transaction and concurrent financing. He continues to sit on the board as an independent director. In September 2018, Mr. Rogers took the role of Interim Chairman of 3D Signatures Inc., a TSX-V medical diagnostic company, while spearheading a shareholder-led corporate reorganization and refinancing which is expected to be complete in Q1 2019. From February 2017 to December 2018, Mr. Rogers was a director of RepliCel Life Sciences Inc., a TSX-V listed autologous cell therapy company, as it underwent a successful corporate restructuring and the completion of a strategic investment and international technology licencing agreement. From March 2015 to October 2017 he was CEO and director of Coronado Resources Ltd., a TSX-V listed natural gas co-generation company, which underwent a corporate reorganization and the disposition of distressed assets. Mr. Rogers has held several other independent board and management positions with exchange listed issuers. He holds a Bachelor of Science degree and LLB degree. He is a member in good standing of the Law Society of British Columbia.

Mr. Rogers is an employee of the Company. It is expected that he will devote approximately 85% of his time to the business of the Company to effectively fulfill his duties as the Chief Executive Officer of the Company.

Christopher Ross (Age 47) – Chief Financial Officer

Mr. Ross is an accounting professional who is experienced with transactions in financings, mergers and acquisitions, corporate re-organizations, and divestitures. Mr. Ross has provided various consulting and advisory services to several companies. Through his over 18 years of post-designated experience in financial accounting, Mr. Ross is experienced in developing financing strategy, liaising with external parties, devising business development plans and maintaining compliance with corporate governance. Mr. Ross's experience includes many industries including forestry, distribution, mining, construction, and multi-family real estate. Having worked with both private and publicly listed entities, Mr. Ross's experience includes financial accounting, analysis, audit, and taxation. Mr. Ross obtained his bachelor's degree in Commerce (Accounting) from the University of British Columbia in Vancouver, British Columbia, Canada and is a member in good standing of the Chartered Professional Accountants Association.

Mr. Ross is an employee of the Company. It is expected that he will devote approximately 85% of his time to the business of the Company to effectively fulfill his duties as the Chief Financial Officer of the Company.

Dr. Raimar Löbenberg (Age 53) – Director

Dr. Löbenberg holds a BS in pharmacy from the Johannes Gutenberg-University, Mainz, Germany and a PhD in pharmaceuticals from the Johann Wolfgang Goethe-University, Frankfurt, Germany. His doctoral work was focused on nanoparticle drug delivery. Dr. Löbenberg then joined Dr. Dressman's lab at Goethe-University to investigate dissolution behavior in biorelevant dissolution media, followed work at Dr. Amidon's lab in Ann Arbor, Michigan to investigate different aspects of oral drug administration, including computer simulations. He joined the University of Alberta in 2000 where he is the founder and director of the Drug Development and Innovation Centre, Faculty of Pharmacy and Pharmaceutical Sciences. Dr. Löbenberg's research interests are in biopharmaceutics to predict the oral performance of drugs and botanicals and inhalable nanoparticles to treat lung diseases such as lung cancer, tuberculosis or leishmaniasis. He is a cofounder of RS Therapeutics Inc., a foam-based topical drug delivery company.

Dr. Löbenberg's recent notable positions include: president of the Canadian Society for Pharmaceutical Sciences 2014 to 2015; vice chair of the United States Pharmacopeia Dietary Supplement Expert Committee 2016 to 2017; current member of the United States Pharmacopeia Dietary Supplement Expert Committee; current vice chair of the Specialty Committee of Traditional Chinese Medicine in Pharmaceutics of the World Foundation of Chinese Medicine Science; and current member of the Health Canada Scientific Advisory Committee on Pharmaceutical Sciences and Clinical Pharmacology and the Scientific Advisory Panel on Opioid Analgesic Abuse.

Wolfgang Probst (Age 37) – Director

Mr. Probst is an experienced management and financial consultant based in Bavaria, Germany. His experience includes management consulting experience as branch head working with private high-net worth clients and corporations followed by the role of CFO for a European-based photovoltaic company where he established operations in Cypress, Greece, and Italy. In 2011, Mr. Probst started ProFinvest, a management consulting firm focused on small to medium-sized companies where he remains Deputy Chairman. In 2017, he assumed the position of CFO of Bunker Pflanzenextrakte GmbH and plays a key role in its operational and financial development.

Corporate Cease Trade Orders and Bankruptcies

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company or a securityholder anticipated to hold a sufficient number of securities of the Company to affect materially the control of the Company, within 10 years of the date of this Prospectus, has been a director, officer or promoter of any person or company that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making a decision in regard to the Company.

Personal Bankruptcies

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of such persons has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

Conflicts of Interest

Members of Management are, and may in future be, associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of our company. Although the officers and directors are engaged in other business activities, the Company anticipates they will devote an important amount of time to our affairs.

The Company's directors and officers are subject to fiduciary obligations to act in the best interest of the Company. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA or other applicable corporate legislation.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation objectives and processes and to discuss compensation decisions relating to its named executive officers ("Named Executive Officers" or "NEOs") listed in the Summary Compensation Table set out below. In accordance with applicable securities legislation, the Company currently has two Named Executive Officers; being Hugh Rogers, CEO, President and a Director, and Christopher Ross, CFO.

The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company although the Compensation Committee guides it in this role. In determining executive compensation, the Board considers the Company's financial circumstances at the time decisions are made regarding executive compensation, and also the anticipated financial situation of the Company in the mid and long-term.

Compensation Objectives and Principles

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining qualified executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary, bonus compensation and equity participation through its stock option plan. The Company does not provide any retirement benefits for its directors or officers.

Elements of Compensation

Base Salary

In the Board's view, paying base salaries which are reasonable in relation to the level of service expected while remaining competitive in the markets in which the Company operates is a first step to attracting and retaining qualified

and effective executives. Competitive salary information on comparable companies within the Company's industry is compiled from a variety of sources, including national and international publications.

Bonus Incentive Compensation

The Board will consider executive bonus compensation dependent upon the Company meeting its strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses.

Equity Participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Stock Option Plan (as described below). Options may be granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. The amounts and terms of options granted are determined by the Board.

Compensation Risks

The Board is keenly aware of the fact that compensation practices can have unintended risk consequences. The Board will continually review the Company's compensation policies to identify any practice that might encourage an employee to expose the Company to unacceptable risk. At the present time the Board is satisfied that the current executive compensation program does not encourage the executives to expose the business to inappropriate risk. The Board takes a conservative approach to executive compensation rewarding individuals for the success of the Company once that success has been demonstrated and incenting them to continue that success through the grant of long-term incentive awards.

Hedging Policy

The Company has no policy on whether an NEO or director is permitted to purchase certain financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds which are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Compensation Process

The Company does not have a compensation committee or a formal compensation policy. The Company relies solely on the directors to determine the compensation of the Named Executive Officers. In determining compensation, the directors consider industry standards and the Company's financial situation, but the Company does not have any formal objectives or criteria. The performance of each executive officer is informally monitored by the directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer.

In establishing compensation for executive officers, the Board as a whole seeks to accomplish the following goals:

- To recruit and subsequently retain highly qualified executive officers by competitive offering overall compensation;
- To motivate executives to achieve important corporate and personal performance objectives and reward them when such objectives are met; and
- To align the interests of executive officers with the long-term interests of shareholders through participation in the Company's Stock Option Plan.

When considering the appropriate executive compensation to be paid to our officers, the Board have regard to a number of factors including: (i) recruiting and retaining executives critical to the success of the Company and the

enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Company’s shareholders; (iv) rewarding performance, both on an individual basis and with respect to operations generally; and (v) available financial resources.

Option-Based Awards

Long-term incentives in the form of Options are intended to align the interests of our directors and executive officers with those of the Company’s Shareholders and to provide a long-term incentive to reward those individuals for their contribution to the generation of shareholder value, while reducing the burden of cash compensation that would otherwise be payable by the Company.

The Stock Option Plan is administered by the Board. In determining the number of incentive Options to be granted to the Named Executive Officers, the Board has regard to several considerations including previous grants of Options and the overall number of outstanding Options relative to the number of outstanding Common Shares, as well as the degree of effort, time, responsibility, ability, experience and level of commitment of the executive officer. For a detailed discussion of the Stock Option Plan, please see “*Option to Purchase Common Shares*”.

Compensation of Directors

Other than as disclosed, the only arrangements we have, standard or otherwise, pursuant to which we compensated directors for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as a consultant or expert during the most recently completed financial year or subsequently, are by (i) the issuance of incentive stock options; and (ii) reimbursement for out-of-pocket expenses incurred on behalf of the Company.

Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each Named Executive Officer and directors by the Company during the period from the Company’s incorporation on December 12, 2017 to the date of this Prospectus for services provided or to be provided, directly or indirectly, to the Company:

Compensation Securities

Name and Position	Type of compensation security	Number of compensation securities and percentage of class	Date of issue or grant	Issue conversion of exercise price (\$)	Closing price of security on date of grant (\$)	Closing price of security at year-end (\$)	Expiry Date
Hugh Rogers, CEO and Director	Options	650,000 (65%)	December 20, 2018	0.50	N/A	N/A	December 20, 2023
Christopher Ross, CFO	Options	350,000 (35%)	December 20, 2018	0.50	N/A	N/A	December 20, 2023

Since incorporation on December 12, 2017 to the date of this Prospectus, there has been no exercise of compensation securities of the Company issued to Named Executive Officer and directors of the Company.

Employment, Consulting and Management Agreements

The Company expects to enter into the following employment agreements with officers of the Company (each, an “Executive”):

- (i) Employment Agreement between Hugh Rogers and the Company (the “**Rogers Employment Agreement**”);
- (ii) Employment Agreement between Christopher Ross and the Company (the “**Ross Employment Agreement**”);

The Executive Agreements provide for remuneration of the above listed individuals with respect to their respective roles with the Company and its subsidiaries.

Pursuant to the Rogers Employment Agreement, Hugh Rogers will be paid a gross annual salary of \$180,000 for his role with the Company and its subsidiaries. In addition, he was issued an aggregate of 650,000 stock options. See “*Stock Options and Other Compensation Securities*” above.

Pursuant to the Ross Employment Agreement, Christopher Ross will be paid a gross annual salary of \$150,000 for his role with the Company and its subsidiaries. In addition, he was issued an aggregate of 350,000 stock options. See “*Stock Options and Other Compensation Securities*” above.

The Employment Agreements also provide for payments to be made by the Company in the event of termination of the Executive Agreements by the Company without cause or following a change of control, the details of which are summarized below.

Meaning of “*Cause*”, “*Change of Control*” and “*Good Reason*”

In the Employment Agreements, “**Cause**” means the occurrence of any of the following:

- (a) an act of fraud or dishonesty or unlawful conduct by or involving the Executive which results in any loss to the Company;
- (b) a violation of the code of conduct or other policies of the Company which is deemed to be material by the Company in its sole reasonable discretion;
- (c) willful neglect of the Executive’s duties;
- (d) the Executive’s failure to perform the Executive’s duties in a competent and diligent manner after the Company has provided the Executive with thirty (30) days’ written notice of the performance deficiency and the Executive has failed to cure such deficient performance—unless the Executive has already been given notice and opportunity to cure regarding any performance deficiency whatsoever during the same calendar year, in which case the Company may terminate the Executive’s employment for Cause without first providing notice and opportunity to cure;
- (e) conduct of the Executive that is reasonably determined by the board of directors of the Company to be detrimental to the business of the Company, and which the Executive persists in after being instructed by the Company to cease such conduct.

In the Employment Agreements, “**Change of Control**” means:

- (a) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the Securities Act (British Columbia, Canada), of common shares of the Company which, when added to all other common shares of the Company at the time held directly or indirectly by such person or persons acting jointly or in concert, constitutes for the first time in the aggregate 30% or more of the outstanding common shares of the Company and such shareholding exceeds the collective shareholding of the current directors of the Company, excluding any directors acting in concert with the acquiring party; or
- (b) the removal, by extraordinary resolution of the shareholders of the Company, of more than 51% of

the then incumbent directors of the Company or the election at a meeting of shareholders of a majority of directors to the board of directors of the Company who were not management nominees for election as directors at such meeting; or

- (c) consummation of a sale of all or substantially all of the assets of the Company; or
- (d) the consummation of a reorganization, plan of arrangement, merger or other transaction which has substantially the same effect as (a) (b) or (c) above.

In the Employment Agreements, “**Good Reason**” means the occurrence of any of the following events and the Company’s failure to cure any of the following after thirty days’ written notice from the Executive:

- (a) the assignment by the Company to the Executive, without the Executive’s consent, of any substantial new or different duties inconsistent with the Executive’s positions, duties, responsibilities and status with the Company immediately prior to such change in assigned duties;
- (b) a material reduction in the Executive’s responsibilities, without the Executive’s consent, except as a result of the Executive’s death or disability;
- (c) a reduction by the Company in the Executive’s compensation not agreed to by the Executive; or
- (d) a material change in the terms of the Executive’s participation in benefits under any incentive plan, the effect of which would be to materially reduce the total value, in the aggregate, of the benefit to the Executive under the incentive plan.

Termination by the Company on a Change of Control

If within 12 months following a Change of Control (or in the case of the Rogers Employment Agreement or the Ross Employment Agreement, within the 2 year term of such Employment Agreement), an Employment Agreement is terminated by the Company other than for Cause, or such Employment Agreement is terminated by the Executive with Good Cause at any time within six (6) months after a Change of Control, in either case, the respective Executive will receive a termination payment in an amount equal to the following:

- (i) 24 months of the Executive’s then current monthly salary, in the case of Hugh Rogers;
- (ii) 24 months of the Executive’s then current monthly salary, in the case of Christopher Ross

Termination by the Company Without Cause

The Company may terminate the Employment Agreements and the engagement of the Executives without Cause at any time by notice in writing, and the Executives may terminate their respective Employment Agreement for Good Reason on two weeks’ written notice. In either event, the Company shall pay the respective Executive:

- (i) 24 months of the Executive’s then current monthly salary, in the case of Hugh Rogers;
- (ii) 24 months of the Executive’s then current monthly salary, in the case of Christopher Ross

Termination by the Company for Cause

If the Company terminates the Executive Agreement with Cause, the Executive is not entitled to any termination payment from the Company.

Pension Plan Benefits

The Company currently does not provide pension plan benefits for Named Executive Officers, directors or employees.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Prospectus, none of the directors and executive officers of the Company or Associates of such persons is indebted to the Company or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee Charter of the Company can be found in Schedule “C” of this Prospectus.

Composition of the Audit Committee

Pursuant to applicable laws, the Company is required to have an audit committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company or an affiliate of the Company.

The following are the members of the audit committee:

Member	Independence	Financially Literacy
Hugh Rogers	Not Independent ⁽¹⁾	Financially Literate
Raimar Löbenberg	Not Independent ⁽¹⁾	Financially Literate
Wolfgang Probst	Not Independent ⁽¹⁾	Financially Literate

Notes:

- (1) Hugh Rogers, Raimar Löbenberg, and Wolfgang Probst are Directors of the Company and are considered under National Instrument NI 52-110 – *Audit Committee* to be non-independent.

Relevant Education and Experience

In addition to each member’s general business experience, the education and experience of each audit committee member is set out in “*Directors and Executive Officers*” above.

Mandate and Responsibilities of the Audit Committee

The Audit Committee’s mandate and responsibilities include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing such other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company; and (vii) reviewing and approving the Company’s hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.

The Audit Committee is to meet at least quarterly to review financial statements and Management’s discussion and analysis and to meet with the Company’s external auditors at least once a year.

Audit Committee Oversight

At no time since the date of incorporation on December 12, 2017, was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the date of incorporation on December 12, 2017, has the Company relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company will rely on the exemptions provided for “venture issuers” in section 6.1 of National Instrument 52-110 – *Audit Committees* with respect to Part 3 – Composition of the Audit Committee and Part 5 – Reporting Obligations.

Pre-Approval Policies and Procedures

The audit committee is required to approve the engagement of the Company’s external auditors in respect of non-audit services.

External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Davidson & Company LLP to ensure auditor independence. The following table sets out the aggregate fees billed by Davidson & Company LLP for the year ended December 31, 2018 for each category of fees described:

Financial Period Ended December 31, 2018	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
	\$30,000	-	-	-

Notes:

- (1) “Audit Fees” includes fees necessary to perform the annual audit and quarterly reviews of the Company’s financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “Audit-Related Fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” include all other non-audit services.

CORPORATE GOVERNANCE

On June 30, 2005, the Canadian Securities Administrators (“CSA”) enacted National Policy 58-201 – *Corporate Governance Guidelines* (the “**Governance Policy**”) and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). The Governance Policy provides guidelines on corporate governance practices while NI 58-101 requires Canadian reporting Companies to disclose their corporate governance practices in accordance with the disclosure items set out in Form 58-101F1.

The Company has reviewed its own corporate governance practices in light of the guidelines contained in the Governance Policy. The Company’s practices comply generally with the guidelines, however, the current directors of the Company consider that some of the guidelines are not suitable for the Company at its current state of development and therefore the Company’s governance practices do not reflect these particular guidelines. Given that the Company is a relatively small Company in terms of both activities and market capitalization, the directors of the

Company believe that the current governance structure is cost-effective and appropriate for the needs of the Shareholders.

Set out below is a description of the Company's corporate governance practices as required to be disclosed by NI 58-101.

Board of Directors

At the date of filing of this Prospectus, the Board consisted of three directors, all of which are not independent.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Board Mandate

The Board facilitates independent supervision of management through meetings of the Board and through frequent informal discussions among independent members of the Board and management. In addition, the Board has access to the Company's external auditors, legal counsel and to any of the Company's officers.

The Board has a stewardship responsibility to supervise the management of and oversee the conduct of the business of the relevant company, provide leadership and direction to management, evaluate management, set policies appropriate for the business of the Company and approve corporate strategies and goals.

The day-to-day management of the business and affairs of the Company is delegated by the Board to the senior officers of the Company. The Board will give direction and guidance through the CEO to management and will keep management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board.

The Board recommends nominees to the shareholders for election as directors, and immediately following each annual general meeting appoints an Audit Committee.

The Board exercises its independent supervision over management by its policies that (a) periodic meetings of the Board be held to obtain an update on significant corporate activities and plans; and (b) all material transactions of the Company are subject to prior approval of the Board. To facilitate open and candid discussion among its independent directors, such directors are encouraged to communicate with each other directly to discuss ongoing issues pertaining to the Company.

Position Description

Because the Board is a small, working board, it has not developed written position descriptions and does not have a process for assessing the performance of the directors or the chair of the Board committees.

The CEO and President of the Company is responsible for the general management of the day-to-day affairs of the Company within the guidelines established by the Board, consistent with decisions requiring prior approval of the Board.

Other Reporting Issuer Experience

The following table sets out the directors, officers and promoters of the Company that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

Name of Director, Officer or Promoter	Name of Reporting Issuer	Exchange	Position	Term
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Hugh Rogers	Clear Blue Technologies International Inc.	TSX-V	Independent Director, Former Director and CEO	May 2017 to present
	3D Signatures Inc.	TSX-V	Interim Chairman	September 2018 to present
	Seashore Resource Partners Corp.	TSX-V (CPC)	Director, CEO & CFO	November 2017 to present
	RepliCel Life Sciences Inc.	TSX-V	Independent Director	February 2017 – December 2018
	Vizsla Resources Corp.	TSX-V	Independent Director	September 2017 – December 2018
	Kootenay Zinc Corp.	CSE	Independent Director	September 2016 – November 2017
	Coronado Resources Ltd.	TSX-V	CEO and Director	March 2015 – October 2017
	MCorpX Inc.	TSX-V	Independent Director	November 2015 – January 2017

Orientation and Continuing Education

While the Company does not have formal orientation and training programs, orientation of new members of the Board is conducted by informal meetings with members of the Board, briefings by management, and the provision of copies of or access to the Company's documents.

The Company has not adopted formal policies respecting continuing education for Board members. Board members are encouraged to communicate with management, legal counsel, auditors and consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by governing corporate legislation and the common law, and the restrictions placed by the BCBCA on an individual director's participation in decisions of the board in which the director has an interest, have helped to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of a company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of a company also serves as a director or officer of another company engaged in similar business activities to the first company, that director must comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

Nomination of Directors

The Company does not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the industry are consulted for possible candidates.

Compensation

The Board conducts reviews with regard to directors' and officers' compensation at least once a year. For information regarding the steps taken to determine compensation for the directors and the executive officers, see "*Executive Compensation*" herein.

Other Board Committees

The Board has no committees.

Assessments

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board. On an ongoing annual basis, the Board assesses the performance of the Board as a whole, and each of the individual directors in order to satisfy itself that each is functioning effectively.

RISK FACTORS

Investing in the Company involves significant risks. An investor should carefully consider the risks described below. The risks and uncertainties described below are those that the Company currently believes to be material, but they are not the only ones that the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that the Company currently consider not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company could decline and an investor could lose part or all of such investor's investment.

Risks Related to the Company

The Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability.

As the Company is in the pre-revenue phase, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact the Company intends to operate in the medicinal cannabis industry, which is rapidly transforming. There is no guarantee that the Company's products or services will be attractive to potential consumers.

Uncertainty about the Company's ability to continue as a going concern.

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its business opportunities in the medicinal cannabis industry. The Company's ability to continue as a going concern is dependent upon its ability in the future to execute on its business opportunities and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has negative cash flow for the year ended December 31, 2018.

The Company had negative operating cash flow for the year ended December 31, 2018. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these

financings will be on terms favourable to the Company. The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

There are factors which may prevent the Company from the realization of growth targets. The Company is currently in the expansion from early development stage.

The Company's growth strategy contemplates building the Bunker 88 Facility. There is a risk that this will not be achieved on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions or storms.

Nature of the Business Model

Probable lack of business diversification.

Because the Company will be focused on developing its business ancillary to the cannabis industry, and potentially directly in the cannabis industry, the prospects for the Company's success will be dependent upon the future performance and market acceptance of the Company's intended facilities, products, processes, and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, the Company does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses. Again, the prospects for the Company's success may become dependent upon the development or market acceptance of a very limited number of facilities, products, processes or services.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased

compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

The Company may be subject to additional regulatory burden resulting from its public listing on the CSE.

The Company has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE. The Company is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Company's financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, the Company cannot assure holders of Company's shares that these and other measures that the Company might take will be sufficient to allow us to satisfy the Company's obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that the Company might incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business.

There is no assurance that the Company will turn a profit or generate immediate revenues.

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

The Company has grown by acquisition. If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Common Shares.

The Company may be unable to adequately protect its proprietary and intellectual property rights.

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;

- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;
- another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's Chief Executive Officer, Chief Financial Officer, and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find

adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

There is no assurance that the Company will obtain and retain any relevant licenses.

If obtained, any licenses in Germany are expected to be subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Company

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Stock Option Plan and upon the exercise of outstanding Warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

Although certain officers and board members of the Company are expected to be bound by anticircumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors (and consequently, some of the officers and directors of Bunker) may be engaged in a range of business activities.

In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be

competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

No guarantee on the use of available funds by the Company.

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of its proceeds. Accordingly, a holder of Common Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the available funds in a manner that does not produce income or that loses value.

Currency Fluctuations.

A significant portion of the Company's expenses are expected to be denominated in Euros, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the Euro and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks Related to the Company's Securities

The Company cannot assure you that a market will continue to develop or exist for the Common Shares or what the market price of the Common Shares will be.

The Company cannot assure that a market will continue to develop or be sustained once the Company's shares are listed on the CSE. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell the Common Shares at an attractive price or at all. The Company cannot predict the prices at which the Common Shares will trade.

It may be difficult, if not impossible, for U.S. holders of the Common Shares to resell them over the CSE.

It has recently come to management's attention that major securities clearing firms in the U.S. may, from time to time, cease participating in transactions related to securities of Canadian public companies involved in the medical cannabis industry. This appears to be due to the fact that cannabis continues to be listed as a controlled substance under U.S.

federal law, with the result that cannabis-related practices or activities, including the cultivation, possession or distribution of cannabis, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S. Accordingly, U.S. residents who acquire the Common Shares as “restricted securities” (including any Common Shares pursuant to the exercise of Warrants) may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any common shares of the Company that they may acquire in open market transactions.

The market price for the Company’s shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control.

The market price for the Company’s shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control, including the following:

- actual or anticipated fluctuations in the Company’s quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company’s executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Company’s competitors;
- operating and share price performance of other companies that investors deem comparable to us; fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company’s industry or target markets; and
- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company’s operations could be adversely affected and the trading price of the Common Shares might be materially adversely affected.

The Company is subject to uncertainty regarding legal and regulatory status and changes.

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada and Germany is currently undergoing significant proposed changes and the Company cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Company cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company does not anticipate paying cash dividends.

The Company's current policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends on the Company's shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Company's board in the context of its earnings, financial condition and other relevant factors. Until the time that the Company pays dividends, which the Company might never do, Company shareholders will not be able to receive a return on their Common Shares unless they sell them.

Future sales of Common Shares by existing shareholders could reduce the market price of the Common Shares.

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. Additional Common Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Common Shares. Holders of Options or Warrants or Agent's Options will have an immediate income inclusion for tax purposes when they exercise their Options, Warrants or Agent's Options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of Options, Warrants or Agent's Options in the same year that they exercise their options. This might result in a greater number of Common Shares being sold in the public market, and fewer long-term holds of Common Shares by the Company's management and employees.

LEGAL PROCEEDINGS

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no director, officer, Insider or Promoter of the Company has had any material interest, direct or indirect, in any transaction since Company to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

AUDITORS

The auditor for the Company is Davidson & Company LLP of 609 Granville St., 12th Floor, Vancouver, British Columbia V7Y 1G6. Davidson & Company LLP has confirmed that they are independent of the Company within the meaning of the "CPABC Code of Professional Conduct" of the Chartered Professional Accountants of British

Columbia.

TRANSFER AGENT AND REGISTRAR

The Company does not currently have a transfer agent and registrar for the Company's securities. The Company expects to engage Computershare Investor Services Inc., at its principal offices located at Vancouver, British Columbia to be the Company's transfer agent and registrar for the Company's securities.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the following are the only material contracts entered into by the Company or its Subsidiaries within two years prior to the date of this Prospectus which are currently in effect and considered to be currently material:

Contract	Parties	Date	Nature of Contract and Consideration
Building Lease	Bunker Pflanzenextrakte UG and Flughafen Memmingen GmbH	October 1, 2017	Rental of building. Consideration for the leased building is to be paid on a monthly basis as per the terms of the agreement
Exclusive Dealing Agreement	XPhyto Therapeutics Corp. and Dr. Raimar Löbenberg	August 20, 2018	Agreement signed with respect to commercial operations under the licence held by Dr. Raimar Löbenberg and Dr. Löbenberg's cannabis related research and associated intellectual property. The agreement grants the Company an exclusive right to benefit from the exercise of Dr. Löbenberg's rights under the licence.
Commercial Analytical Lab Development and Services Agreement	XPhyto Therapeutics Corp. and the Board of Governors of the University of Alberta	September 28, 2018	Agreement signed with respect to the co-develop of a commercial grade analytical lab at the UoA for the purposes of testing cannabis and other plant- based medicines.
Share Exchange Agreement	XPhyto Therapeutics Corp. and Bunker Pflanzenextrakte UG	October 22, 2018	Agreement for the Company to acquire all the issued and outstanding shares of Bunker by means of a share exchange. As consideration for all the issued and outstanding shares of Bunker, the Company issued to Bunker shareholders 7,500,000 Common Shares. Additionally, if Bunker meets the milestone of obtaining a commercial cannabis cultivation license in Germany, then the former Bunker shareholders will be eligible for 2,500,000 earn-out Common Shares for no additional consideration.
Product Manufacturing Agreement	XPhyto Therapeutics Corp. and the Board of Governors of the University of Alberta	December 7, 2018	Agreement signed has a 5 year exclusive term whereby the Faculty of Pharmacy and Pharmaceutical Sciences agreed to manufacture cannabis-based extracts and isolates in its certified ISO clean room for the Company for the purposes of research and clinical trials.
Escrow Agreement	XPhyto Therapeutics Corp., Computershare Trust Company, and certain shareholders of XPhyto Therapeutics Corp.	●	Agreement pursuant to which Computershare Trust Company will act as the escrow agent for the purposes of the mandatory escrow as required by the policies of the CSE.

Copies of the above material contracts can be inspected at the Company's head office during regular business hours for a period of 30 days after a final receipt is issued for this Prospectus and are also available electronically at www.sedar.com.

PROMOTERS

Hugh Rogers has been the promoter of the Company since incorporation. Mr. Rogers beneficially owns, or has control over, directly or indirectly 500,000 Common Shares being 1.3% of the issued and outstanding Common Shares on a fully diluted basis.

LEGAL MATTERS

Certain Canadian legal matters in connection with this Prospectus will be passed upon by McMillan LLP, on behalf of the Company. As at the date hereof, the partners and associates of McMillan LLP, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Company.

INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- McMillan LLP is the Company's counsel with respect to Canadian legal matters herein;
- Davidson & Company LLP, Chartered Professional Accountants is the external auditor of the Company and reported on the Company's audited financial statements for the year ended December 31, 2018 and the period ended December 31, 2017 attached as Schedule "A".

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

OTHER MATERIAL FACTS

To the knowledge of management, there are no other material facts relating to the Company that are not otherwise disclosed in this Prospectus or are necessary for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Company.

PURCHASERS' STATUTORY RIGHT OF WITHDRAWAL AND RECISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

The issuer has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a special warrant who acquires another security of the issuer on exercise of the Special Warrant as provided for in the prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the prospectus or an amendment to the prospectus containing a misrepresentation,

- (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the private placement transaction under which the special warrant was initially acquired,
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the underwriter or issuer, as the case may be, on the acquisition of the Special Warrant, and

(c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

Schedule "A"
XPHYTO THERAPEUTICS CORP. FINANCIAL STATEMENTS

XPHYTO THERAPEUTICS CORP.
(formerly known as Cannabunker Development Corp.)

Consolidated Financial Statements

For the year ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Directors of
XPhyto Therapeutics Corp. (formerly Cannabunker Development Corp.)

Opinion

We have audited the accompanying consolidated financial statements of XPhyto Therapeutics Corp. (formerly Cannabunker Development Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the year ended December 31, 2018 and the period from incorporation on December 12, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the period from incorporation on December 12, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

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 audit 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

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 IFRS, 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 Company'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 David Harris.

Vancouver, Canada

Chartered Professional Accountants

DATE

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash		\$ 2,365,597	\$ -
Amounts receivable		95,314	-
Subscription receivable		-	25,000
Prepaid expenses		8,849	-
		2,469,760	25,000
Non-current assets			
Deposits	4	543,353	-
Equipment	6	9,513	-
Intangible asset	7	653,103	-
Right-of-use asset	8	5,523,764	-
		\$ 9,199,493	\$ 25,000
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 387,826	\$ 4,485
Lease liability	8	99,786	-
		487,612	4,485
Non-current liabilities			
Lease liability	8	949,556	-
		1,437,168	4,485
Equity			
Shareholders' equity			
Share capital	10	6,590,003	25,000
Special warrants	10	1,778,200	-
Share based payments reserve		259,207	-
Accumulated deficit		(865,085)	(4,485)
		7,762,325	20,515
		\$ 9,199,493	\$ 25,000

Approved by the Directors on March X, 2019

Hugh Rogers (signed)

Wolfgang Probst (signed)

Nature and continuance of operations (Note 1)
 Commitments (Note 15)
 Subsequent events (Note 18)

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

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended December 31, 2018	Period from incorporation on December 12, 2017 to December 31, 2017
Operating Expenses		
Depreciation and amortization	\$ 97,112	\$ -
Professional fees	249,393	4,479
Consulting fees (Note 12)	360,525	-
Salaries and benefits	13,782	-
Share-based compensation (Note 11)	7,192	-
Regulatory fees	13,139	-
Office and miscellaneous	22,177	6
Travel and related	96,811	-
Rent	7,838	-
Foreign exchange (gain)	(12,713)	-
Operating Loss	(855,256)	(4,485)
Finance costs	5,344	-
Loss and Comprehensive Loss	\$ (860,600)	\$ (4,485)
Loss Per Share – Basic and Diluted	\$ (0.04)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding	22,774,247	500,000

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

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended December 31, 2018	Period from incorporation on December 12, 2017 to December 31, 2017
Operating Activities		
Loss for the period	\$ (860,600)	\$ (4,485)
Adjustments for:		
Amortization	97,112	-
Share-based compensation	7,192	-
Accrued interest	5,344	-
Changes in non-cash working capital items		
Amounts receivable	(7,457)	-
Prepaid expenses	(3,536)	-
Accounts payable and accrued liabilities	139,030	4,485
Cash Used in Operating Activities	(622,915)	-
Investing Activities		
Deposits	(543,353)	-
Equipment acquisition	(5,150)	-
Funds advanced to Bunker	(780,660)	-
Cash assumed on Bunker acquisition	116,746	-
Acquisition costs	(327,240)	-
Intangible asset acquisition	(31,157)	-
Cash Used in Investing Activities	(1,570,814)	-
Financing Activities		
Proceeds from issuance of shares	3,176,750	-
Share issue costs	(395,624)	-
Proceeds from special warrant issuance	1,778,200	-
Cash Provided by Financing Activities	4,559,326	-
Net change in cash for the period	2,365,597	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	\$ 2,365,597	\$ -

Supplemental disclosure with respect to cash flows (Note 16)

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

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Special Warrants	Reserves	Accumulated Deficit	Total Shareholders' Equity
Balance, December 12, 2017	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of incorporation share	1	1	-	-	-	1
Cancellation of incorporation share	(1)	(1)	-	-	-	(1)
Share issuance, financing	500,000	25,000	-	-	-	25,000
Loss for the period	-	-	-	-	(4,485)	(4,485)
Balance, December 31, 2017	500,000	25,000	-	-	(4,485)	20,515
Share issuances, financings	25,214,000	3,151,750	-	-	-	3,151,750
Issue costs	-	(395,624)	-	-	-	(395,624)
Finders warrants	-	(178,623)	-	178,623	-	-
Share based compensation	-	-	-	7,192	-	7,192
Special warrant financing	-	-	1,778,200	-	-	1,778,200
Shares issued for intangible assets	5,500,000	687,500	-	-	-	687,500
Shares issued to acquire Bunker	8,250,000	3,300,000	-	-	-	3,300,000
Finder warrants issued to acquire Bunker	-	-	-	73,392	-	73,392
Loss for the year	-	-	-	-	(860,600)	(860,600)
Balance, December 31, 2018	39,464,000	\$ 6,590,003	\$ 1,778,200	\$ 259,207	\$ (865,085)	\$ 7,762,325

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

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

XPhyto Therapeutics Corp. (formerly Cannabunker Development Corp.) (the “Company” or “XPhyto”) was incorporated under the Business Corporations Act (British Columbia) on December 12, 2017. The principal business of the Company is developing a testing, manufacturing and research business in Canada and a research, cultivation, import, manufacturing and distribution business in Germany. The Company is in the process of filing a non-offering prospectus as part of its submission with its listing application for publicly trading its shares on the Canadian Securities Exchange (“CSE”) (Note 18).

The Company’s head office is located at Suite 1500 – 701 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1C6. The Company’s registered and records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis. While the Company currently has no sources of revenue, it has working capital of \$1,982,148 as at December 31, 2018 which, along with the gross proceeds of \$631,000 from the Special Warrants and private placement completed in February 2019 (Note 18), management believes will be sufficient to fund operational needs for the next 12 months.

There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. BASIS OF PRESENTATION

a) Statement of compliance to International Financial Reporting Standards

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were authorized by the Company’s Board of Directors on March X, 2019.

b) Basis of Consolidation

The following entities have been consolidated within these financial statements:

Entity	Registered	Holding
XPhyto Therapeutics Corp.	British Columbia, Canada	Parent company
XPhyto Laboratories Inc.	Alberta, Canada	100% owned
Bunker Pflanzenextrakte GmbH	Germany	100% owned
Bunker Biopharma GmbH	Germany	100% owned

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and can affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

2. BASIS OF PRESENTATION (cont'd)

c) Basis of measurement

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars which is also the Company's functional currency.

d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

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 revision and further periods if the review affects both current and future periods.

d) Key sources of estimation uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

i) Share-based compensation

The inputs used in calculating the fair value for share-based compensation included in profit or loss. The share-based compensation expense is estimated using the Black-Scholes option pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

ii) Deferred tax assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

iii) Economic recoverability and probability of future economic benefits of intangible assets and amortization

Management has determined that capitalized intangible asset costs may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life.

The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

2. BASIS OF PRESENTATION (cont'd)

iv) Business combinations

The determination of whether a set of assets acquired, and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with Bunker Pflanzenextrakte GmbH was determined to constitute an acquisition of assets (Note 5).

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

b) Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Amounts receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL. Amounts receivable are classified at amortized cost.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted as the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities

Financial liabilities are designated as either (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and lease liability are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

c) Intangible assets

Intangible assets consist of acquired exclusivity rights to a licence issued pursuant to the Canadian Controlled Drugs and Substances Act and related research and intellectual property as well as website design.

Intangible assets with finite useful lives are measured at cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful life being the exclusivity period of approximately three years. Website design is amortized over three years.

d) Right-of-use assets

The Company assesses whether a contract is or contains a lease at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term unless another systematic basis is more representative of the usage of the economic benefits from the leased asset.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrow rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, payments made on or before the lease commencement and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

During the year ended December 31, 2018, the Company entered into a 12-month lease with monthly payments of \$1,646. As the lease meets the short-term exemption, the rent expense is recorded in the statement of loss and comprehensive loss as it is incurred.

e) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

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

Equipment is depreciated annually on a straight-line basis over the estimated useful life of the assets. Both office equipment and computer hardware are depreciated over a useful life of 3 years.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

An item of equipment is derecognized 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 consolidated statement of comprehensive loss.

The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

f) Impairment of non-current assets

At each reporting date, the carrying amounts of the Company's non-current assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, to the extent the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

g) Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

The value of common shares and warrants issued as private placement units is measured using the residual value method, which first allocated value to the more easily measurable component based on fair value (common shares in the private placements) and then the residual value, if any, to the less easily measurable component (warrants in the private placements). Warrants that are issued as agency compensation or other transaction costs are accounted for as share issue costs.

h) Share-based payments

The Company grants stock options to directors, officers, employees and/or consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For vested options that have expired or were cancelled unexercised, the Company reverses the share-based payment reserve against deficit.

i) Reserves

The reserve records items recognized as share-based compensation until such time that the options or compensatory warrants are exercised, at which time the corresponding amount is reallocated to share capital. Amounts recorded for forfeited or expired options or warrants are transferred to deficit.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options or compensatory warrants, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option or warrant.

j) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also directly recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent it becomes probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the income taxes levied by the same tax authority and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and tax liabilities will be realized simultaneously.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

k) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as finance costs in the statement of operations and comprehensive loss.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share does not adjust the loss attributable to common shareholders when the effect is anti-dilutive. Contingently returnable shares are not considered outstanding for loss per share calculations.

As the Company incurred net losses for the periods presented, outstanding options and warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

m) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations.

n) Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transaction in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in net income (loss).

4. COMMERCIAL ANALYTICAL LAB DEVELOPMENT AND SERVICES AGREEMENT

The Company entered into a Service Agreement Term Sheet dated May 30, 2018 with the Faculty of Pharmacy and Pharmaceutical Sciences of the University of Alberta ("UoA"). Further to the Service Agreement Term Sheet, on September 28, 2018, the Company and the Board of Governors of the University of Alberta, executed a Commercial Analytical Lab Development and Services Agreement with respect to the co-development of a commercial grade analytical lab at UoA for the purpose of testing cannabis and other plant-based medicines.

The Company is responsible to fund the development and construction of the analytical testing facility.

The agreement contemplates that the parties will enter into a service agreement under which the UoA will provide analytical testing services to the Company and others. The service agreement will have an initial 5-year term and require the Company to pay the UoA for its costs to operate and maintain the facility. Any profit (net revenue) from service fees will first be applied to pay to the Company an amount equal to 125% of its capital expenditures in developing and establishing the analytical testing facility. Once the 125% threshold has been achieved, the Company and the UoA will equally share in profits (net revenues) from service fees.

As of December 31, 2018, the Company has paid deposits totaling \$543,353 towards equipment purchases for the testing facility.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2018

5. ASSET ACQUISITION

Bunker Pflanzenextrakte GmbH

On October 22, 2018, the Company entered into a share exchange agreement to acquire all the issued and outstanding shares of Bunker Pflanzenextrakte GmbH (“Bunker”) replacing an earlier letter of intent. As consideration, the Company will issue to Bunker shareholders 7,500,000 common shares of the Company. In addition, the Company shall reserve for issuance an aggregate of 2,500,000 common shares in the Company (the “Milestone Shares”). In the event that Bunker either (i) is granted a cultivation licence(s) within 24 months or (ii) generates EUR 2,500,000 gross revenue in an 18-month period within 36 months after the date of this agreement, then the Company will issue the Milestone Shares to Bunker shareholders.

The Company closed the share exchange agreement on December 13, 2018 and issued the 7,500,000 shares at a value of \$3,000,000 to Bunker shareholders. The 7,500,000 shares are subject to escrow and will be released in tranches over 36 months on the earlier of (i) the date of listing on the CSE and (ii) 6 months after the effective date of the agreement. For 36 months after closing, should any Bunker shareholder wish to sell any shares, the Company has the right of first refusal to purchase the shares. The Company also advanced funds to Bunker prior to closing and incurred costs relating to the transaction totaling \$1,286,722.

Canaccord Genuity Corp. (“Canaccord”) provided the Company with certain corporate advisory services as part of the transaction. As consideration, the Company issued 750,000 common shares at a value of \$300,000 and 250,000 share purchase warrants, exercisable at \$0.125 per share for a period of two years from date of listing on the CSE to Canaccord. The fair value of the 250,000 warrants was \$73,392 (Note 10).

The acquisition has been accounted for as an asset acquisition as at the time of the transaction, as Bunker did not meet the definition of a business. The consideration paid has been allocated to the right-of-use asset and intangible asset at the date of acquisition. The purchase price of the acquisition has primarily been allocated as follows:

Purchase price	
Fair value of common shares issued	\$3,000,000
Fair value of finders' shares issued	300,000
Funds advanced to Bunker	780,660
Acquisition costs	506,062
Fair value of warrants issued	73,392
	<hr/>
	\$4,660,114
	<hr/>
Cash	\$116,746
Amounts receivable	87,857
Prepaid expenses	5,313
Equipment	5,103
Intangible asset	3,913
Accounts payable and accrued liabilities	(65,489)
Lease liability	(1,043,998)
Right-of-use asset	5,550,669
	<hr/>
	\$4,660,114
	<hr/>

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
Notes to the Financial Statements
(Expressed in Canadian dollars)
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6. EQUIPMENT

	Office equipment	Computer Hardware	Total
Cost			
Balance at December 12, 2017	\$ -	\$ -	\$ -
Additions	-	-	-
Balance at December 31, 2017	-	-	-
Additions	4,626	5,628	10,254
Balance at December 31, 2018	\$ 4,626	\$ 5,628	\$ 10,254
Accumulated Depreciation			
Balance at December 12, 2017	\$ -	\$ -	\$ -
Depreciation	-	-	-
Balance at December 31, 2017	-	-	-
Depreciation	27	714	741
Balance, December 31, 2018	\$ 27	\$ 714	\$ 741
Carrying amounts			
As at December 31, 2017	\$ -	\$ -	\$ -
As at December 31, 2018	\$ 4,599	\$ 4,914	\$ 9,513

7. INTANGIBLE ASSETS

On August 20, 2018, the Company signed an Exclusive Dealing Agreement with Dr. Raimar Loebenberg ("Loebenberg") with respect to commercial operations under the licence issued pursuant to the Canadian Controlled Drugs and Substance Act held by Loebenberg and Loebenberg's cannabis related research and associated intellectual property. The agreement grants the Company an exclusive right to benefit from the exercise of Loebenberg's rights under the licence.

In consideration for the rights granted by Loebenberg to the Company, the Company issued 5,000,000 common shares (the "Consideration Shares"), to a company controlled by Loebenberg with a fair value of \$625,000. The Consideration Shares are subject to voluntary pooling ("Escrow") for a period commencing on the effective date of the agreement and terminating on the date that is thirty-six months after the earlier of: (i) the date the Company's shares are listed for trading on the CSE, and (ii) the date that is six months after the effective date of the agreement. The exclusivity period commences on the closing date of the agreement and expires on the earlier of (i) termination of the agreement, and (ii) the date that the last Consideration Shares are released from Escrow. If the licence is terminated during the exclusivity period, any remaining Escrowed Consideration Shares will be returned to the Company.

Loebenberg is entitled to revenue-based bonus payments from the sale of certain products developed by Loebenberg alone or jointly with the Company. If the Company generates at least \$10,000,000 in revenues annually from the products, Loebenberg is entitled to receive a Level One Bonus of \$200,000. If the Company generates at least \$5,000,000 in revenues annually from the products, Loebenberg is entitled to receive a Level Two Bonus of \$200,000. The Level Two Bonus is payable, at the election of the Company, either in cash or common shares at the current market price. The Company can terminate the Level One and/or Two Bonus entitlements by paying Loebenberg \$1,000,000 per each bonus entitlement.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
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7. INTANGIBLE ASSETS (cont'd)

Canaccord provided the Company with certain corporate advisory services with respect to the intangible assets. In consideration, the Company issued 500,000 common shares on September 4, 2018 with a value of \$62,500 to Canaccord. Additional transaction costs of \$30,259 relating to the intangible assets were also incurred.

	Right- to-use License	Web Design	Total
Cost			
Balance at December 12, 2017	\$ -	\$ -	\$ -
Additions	-	-	-
Balance at December 31, 2017	-	-	-
Additions	717,759	4,811	722,570
Balance at December 31, 2018	\$ 717,759	\$ 4,811	\$ 722,570
Accumulated Depreciation			
Balance at December 12, 2017	\$ -	\$ -	\$ -
Amortization	-	-	-
Balance at December 31, 2017	-	-	-
Amortization	68,358	1,109	69,467
Balance, December 31, 2018	\$ 68,358	\$ 1,109	\$ 69,467
Carrying amounts			
As at December 31, 2017	\$ -	\$ -	\$ -
As at December 31, 2018	\$ 649,401	\$ 3,702	\$ 653,103

8. RIGHT OF USE ASSET AND LEASE LIABILITY

On October 1, 2017, the Company's wholly owned subsidiary Bunker entered into a Commercial Rental Agreement with Flughafen Memmingen GmbH. The length of the lease agreement is for 10 years.

Both parties have the option of renewing the agreement for one year at a time. The option of renewal must be exercised in writing by one of the parties six months before the end of the lease.

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8. RIGHT OF USE ASSET AND LEASE LIABILITY (cont'd)

	December 31, 2018	December 31, 2017
Right of Use asset		
Opening balance	\$ -	\$ -
Balance at acquisition	5,550,669	-
Depreciation	(26,905)	-
	<u>\$ 5,523,764</u>	<u>\$ -</u>
Lease liability		
Opening balance	\$ -	\$ -
Balance at acquisition	1,043,998	-
Accrued interest	5,344	-
	<u>\$ 1,049,342</u>	<u>\$ -</u>
Current portion	\$ 99,786	\$ -
Non-current portion	\$ 949,556	\$ -

Using the December 31, 2018 year end exchange rate, the estimated annual commitment over the term of the lease is as follows:

2019	\$ 99,786
2020	\$ 106,546
2021	\$ 113,306
2022	\$ 136,240
2023	\$ 223,364

2024 and beyond \$ 870,837

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trades payables	\$ 120,476	\$ -
Accrued liabilities	267,350	4,485
	<u>\$ 387,826</u>	<u>\$ 4,485</u>

10. SHARE CAPITAL

a) Common Shares

Authorized

The authorized capital stock of the Company is an unlimited number of common shares without par value.

Issued

During the period ended December 31, 2017, the Company issued 500,000 common shares at \$0.05 per share for gross proceeds of \$25,000 to a Director of the Company which was received in January 2018.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
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10. SHARE CAPITAL (cont'd)

On January 31, 2018, the Company issued 17,340,000 units at \$0.125 per unit for gross proceeds of \$2,167,500. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from date of listing on the CSE. The Company also issued 1,387,200 finders warrants to purchase an aggregate of 1,387,200 common shares at a price of \$0.125 per share for a period of two years from date of listing on the CSE. The finders' warrants had a fair value of \$85,386 estimated using the Black-Scholes option pricing model with a volatility of 91.63%, risk-free interest rate of 1.84%, dividend rate of 0% and expected life of 2 years.

On May 31, 2018, the Company issued 5,762,000 units at \$0.125 per unit for gross proceeds of \$720,250. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from date of listing on the CSE. The Company also issued 460,960 finders warrants to purchase an aggregate of 460,960 common shares at a price of \$0.125 per share for a period of two years from date of listing on the CSE. The finders' warrants had a fair value of \$28,397 estimated using the Black-Scholes option pricing model with a volatility of 91.63%, risk-free interest rate of 1.92%, dividend rate of 0% and expected life of 2 years.

On July 31, 2018, the Company issued 1,250,000 units at \$0.125 per unit for gross proceeds of \$156,250. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from date of listing on the CSE. The Company also issued 100,000 finders warrants to purchase an aggregate of 100,000 common shares at a price of \$0.125 per share for a period of two years from date of listing on the CSE. The finders' warrants had a fair value of \$6,169 estimated using the Black-Scholes option pricing model with a volatility of 91.63%, risk-free interest rate of 2.05%, dividend rate of 0% and expected life of 2 years.

On August 17, 2018, the Company issued 5,000,000 common shares at a value of \$625,000 for the acquisition of intangible assets (Note 7). These shares are considered contingently returnable and are excluded from loss per share calculations.

On September 4, 2018, the Company issued 500,000 common shares at a value of \$62,500 to Canaccord in consideration of corporate advisory services relating to the acquisition of intangible assets (Note 7).

On November 30, 2018, the Company issued 862,000 units at \$0.125 per unit for gross proceeds of \$107,750. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from date of listing on the CSE. Included in the issued shares are 200,000 escrowed shares issued to an officer of the Company which will be released from escrow in tranches over 36 months from date of listing on the CSE.

On December 13, 2018 the Company issued 7,500,000 common shares at a value of \$3,000,000 for the acquisition of Bunker (Note 5). For 36 months after closing, should any Bunker shareholder wish to sell any shares, the Company has the right of first refusal to purchase the shares.

On December 13, 2018, the Company issued 750,000 common shares at a value of \$300,000 to Canaccord in consideration of corporate advisory services relating to the asset acquisition of Bunker. (Note 5). The Company also issued 250,000 finders warrants to purchase an aggregate of 250,000 common shares at a price of \$0.125 per share for a period of two years from date of listing on the CSE. The finders' warrants had a fair value of \$73,392 estimated using the Black-Scholes option pricing model with a volatility of 75%, risk-free interest rate of 2.06%, dividend rate of 0% and expected life of 2 years.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
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10. SHARE CAPITAL (cont'd)

On December 28, 2018, the Company issued 4,445,500 Special Warrants at \$0.40 per Special Warrant for gross proceeds of \$1,778,200. Each Special Warrant will automatically convert, for no additional consideration, into one common share of the Company and one share purchase warrant on the earlier of (i) the third business day after final prospectus receipt, and (ii) 4 months and one day after the issue date of the Special Warrants.

Each warrant issued on conversion will entitle the holder to purchase one common share at a price of \$1.20 per share for a period equal to the shorter of (i) two years after the listing date on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the Special Warrants.

The Company paid finders fees of \$140,656 and issued 351,640 finders warrants to purchase an aggregate of 351,640 common shares at a price of \$0.40 per share for a period of two years from date of listing on the CSE. The finders' warrants had a fair value of \$58,762 estimated using the Black-Scholes option pricing model with a volatility of 75%, risk-free interest rate of 2.19%, dividend rate of 0% and expected life of 2 years.

As at December 31, 2018, there are 13,200,000 common shares subject to escrow which includes 700,000 common shares issued to officers of the Company which will be released from escrow in tranches over 36 months from date of listing on the CSE. The 5,000,000 common shares held in escrow in conjunction with the exclusivity agreement between the Company and Loebenberg (Note 7) which will be released from escrow in tranches over 36 months on the earlier of (i) the date of listing on the CSE and (ii) 6 months after the effective date of the agreement. The 7,500,000 held in escrow in conjunction with the share exchange agreement between the Company and Bunker shareholders (Note 5) which will be released from escrow in tranches over 36 months on the earlier of (i) the date of listing on the CSE and (ii) 6 months after the effective date of the agreement. Subsequent to December 31, 2018, 500,000 common shares were released from escrow.

b) Share Purchase Warrants

The following is a summary of changes in warrants from the date of incorporation of December 12, 2017 to December 31, 2018:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 12, 2017	-	\$ -
Issued warrants	-	-
Balance at December 31, 2017	-	-
Issued warrants	15,156,800	0.61
Balance at December 31, 2018	15,156,800	\$ 0.61

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10. SHARE CAPITAL (cont'd)

As at December 31, 2018, the Company had outstanding warrants as follows:

Number	Exercise Price	Expiry Date
8,670,000	\$ 0.70	2 years from listing
1,387,200	\$ 0.125	2 years from listing
2,881,000	\$ 0.70	2 years from listing
460,960	\$ 0.125	2 years from listing
625,000	\$ 0.70	2 years from listing
100,000	\$ 0.125	2 years from listing
431,000	\$ 0.70	2 years from listing
250,000	\$ 0.125	2 years from listing
351,640	\$ 0.40	2 years from listing
15,156,800		

11. SHARE-BASED COMPENSATION

The Company held its shareholder meeting on December 10, 2018 where the shareholders approved adoption of the Stock Option Plan in accordance with the policies of the CSE. The directors are authorized to grant stock options to directors, officers, consultants or employees. Options granted under the plan will have a term up to 10 years with the exercise price and vesting determined by the directors.

During the year ended December 31, 2018, 1,000,000 stock options were issued to officers of the Company. The options are exercisable into one common share of the Company at an exercise price of \$0.50 per share until December 20, 2023. The stock options will vest 25% every 6 months commencing 6 months after the grant date.

Share option transactions from the date of incorporation of December 12, 2017 to December 31, 2018 are as follows:

	Number of options	Weighted Average Exercise Price
Balance at December 12, 2017	-	\$ -
Issued options	-	-
Balance at December 31, 2017	-	-
Issued options	1,000,000	0.50
Balance at December 31, 2018	1,000,000	\$ 0.50
Exercisable	Nil	-

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11. SHARE-BASED COMPENSATION (cont'd)

The Company recorded share-based compensation of \$7,192 during the year ended December 31, 2018. The fair value of the options granted was \$228,870 or \$0.23 per option which was valued using the Black-Scholes Option Pricing Model with the following assumptions:

	<u>2018</u>
Volatility	75.00%
Risk-free interest rate	1.90%
Expected life of option	5 years
Dividend yield	<u>0%</u>

12. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing, and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers its directors, Chief Executive Officer and Chief Financial Officer of the Company and Managing Director of Bunker to be key management personnel.

The following is a summary of the Company's key management compensation:

	December 31, 2018	December 31, 2017
Consulting fees	\$ 234,038	\$ -
Share based compensation	7,192	-

As at December 31, 2018, \$20,598 (2017 - \$ nil) remained unpaid and has been included in accounts payable and accrued liabilities.

13. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its business and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

Cash is carried at fair value using level 1 fair value measurement. The carrying value of amounts receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The carrying value of lease liability approximates fair value as there has not been any significant changes in interest rates since initial recognition.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The Company records certain of its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market prices (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal and external valuation models, such as discounted cash flow analyses, using, to the extent possible, observable market-based inputs.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company has exposures to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk at December 31, 2018 under its financial instruments is approximately \$2.46 million.

All of the Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no debt subject to variable interest rates. Accordingly, the Company has limited exposure to interest rate movements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign exchange rate risk

The Company operates in Canada and Germany and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company is exposed to foreign currency risk through the following financial assets and liabilities held in the following Canadian dollar equivalents:

2018	Euro	Total
Cash and cash equivalents	\$ 124,512	\$ 124,512
Amounts receivable	74,864	74,864
Total financial assets	199,376	199,376
Less: accounts payable and accrued liabilities	(76,064)	(76,064)
Less: Lease liability	(1,078,120)	(1,078,120)

At December 31, 2018, a 10% appreciation (depreciation) in the value of the Euro against the Canadian dollar, with all other variables held constant, would result in approximately a \$95,000 increase (decrease) in the Company's net loss for the year.

15. COMMITMENTS

On December 7, 2018, the Company and the UoA executed an exclusive five-year product manufacturing agreement pursuant to which the Faculty of Pharmacy and Pharmaceutical Sciences agreed to manufacture cannabis-based extracts and isolates. The Company is responsible to provide any necessary equipment for the manufacture of the extracts and isolates and will pay UoA an annual fee estimated at \$140,000.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2018 consisted of:

- 1) The issuance of 2,299,800 finder warrants with a fair value of \$178,623 relating to the issuance of shares.
- 2) The issuance of 5,500,000 common shares with a value of \$687,500 towards the acquisition of intangible assets.
- 3) The issuance of 8,250,000 common shares with a value of \$3,300,000 towards the acquisition of Bunker.
- 4) The issuance of 250,000 finder warrants with a fair value of \$73,392 towards the acquisition of Bunker.
- 5) Bunker acquisition costs of \$178,822 included in accounts payable.

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16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd)

The significant non-cash transaction for the period ended December 31, 2017 consisted of the issuance of 500,000 common shares at a value of \$25,000 in exchange for a subscription receivable.

17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2018	December 31, 2017
Loss before income taxes	\$ (860,600)	\$ (4,485)
Expected income tax (recovery)	(232,000)	(1,000)
Change in statutory, foreign tax, foreign exchange rates and other	6,000	-
Permanent differences	12,000	-
Share issue cost	(107,000)	-
Change in unrecognizable deductible temporary differences	321,000	1,000
Income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Intangible asset and other	\$ 102,000	No expiry date	\$ -	
Share issue costs	316,000	2039 to 2042		
Non-capital losses available for future periods	824,000	See below	4,000	2037
Canada	753,000	2037 to 2038		
Germany	71,000	No expiry date		

Tax attributes are subject to review, and potential adjustment, by tax authorities.

18. SUBSEQUENT EVENTS

Subsequent events to December 31, 2018 are as follows:

- a) On February 28, 2019, the Company issued 1,120,000 Special Warrants at \$0.40 per Special Warrant for gross proceeds of \$448,000. Each Special Warrant will automatically convert, for no additional consideration, into one common share of the Company and one share purchase warrant on the earlier of (i) the third business day after final prospectus receipt, and (ii) 4 months and one day after the issue date of the Special Warrants.

Each warrant issued on conversion will entitle the holder to purchase one common share at a price of \$1.20 per share for a period equal to the shorter of (i) two years from the listing date on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the Special Warrants.

XPHYTO THERAPEUTICS CORP. (formerly Cannabunker Development Corp.)
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18. SUBSEQUENT EVENTS (cont'd)

The Company paid finders fees of \$35,840 and issued finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of 2 years from date of listing on the CSE.

- b) On February 28, 2019, the Company issued 457,500 units at \$0.40 per unit for gross proceeds of \$183,000. Each unit consisted of one common share and one share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$1.20 per share for a period equal to the shorter of (i) two years from the listing date on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the units. The Company paid finder fees of \$14,640 and also issued 36,600 finders warrants to purchase an aggregate of 36,600 common shares at a price of \$0.40 per share for a period of two years from date of listing on the CSE.
- c) In March 2019, the Company entered into a 3-year consultancy agreement. As consideration, the Company will pay EUR 3,000 per month and issue 50,000 shares of the Company. In the event that the consultant is appointed as managing director, board member or similar role of a newly formed Bunker subsidiary, the Company will issue 50,000 common shares to the consultant ("Milestone A Shares"). Should this subsidiary generate EUR 1,000,000 gross revenue in any 12-month period within 12 months after the achievement of Milestone A Shares, the Company will issue 50,000 common shares to the consultant ("Milestone B Shares"). Should this subsidiary generate EUR 5,000,000 gross revenue in any 18-month period within 18 months after the achievement of Milestone B Shares, the Company will issue 100,000 common shares to the consultant ("Milestone C Shares").

Schedule "B"
XPHYTO THERAPEUTICS CORP. MANAGEMENT'S DISCUSSION AND ANALYSIS

**XPHYTO THERAPEUTICS CORP. (FORMERLY CANNABUNKER DEVELOPMENT CORP.)
SELECTED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS**

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth summary financial information for the Company for the year ended December 31, 2018, and for the period from incorporation to December 31, 2017. This information has been summarized from the Company’s audited consolidated financial statements and should only be read in conjunction with the Company’s audited consolidated financial statements, including the notes thereto for the year ended December 31, 2018.

	For the year ended December 31, 2018 (audited)	For the period from incorporation to December 31, 2017 (audited)
Total Revenues	Nil	Nil
Consulting fees	\$360,525	Nil
Professional fees	\$249,393	\$4,479
Loss for the Period	(\$860,600)	(\$4,485)
Loss per share (basic and diluted)	(\$0.02)	(\$0.01)
Total Assets	\$9,199,493	\$25,000
Long term financial liabilities	\$949,556	Nil
Cash dividends per share	Nil	Nil

MANAGEMENT DISCUSSION AND ANALYSIS:

The following Management Discussion and Analysis (“**MD&A**”) of the operating results and financial position of the Company is prepared as of the date of this Prospectus and provides information concerning the Company’s financial condition as at December 31, 2018 and December 31, 2017. The MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2018. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

XPhyto Therapeutics Corp. (the “Company” or “XPhyto”) formally known as Cannabunker Development Corp. was incorporated under the Business Corporations Act (British Columbia) on December 12, 2017. The principal business of the Company is developing a testing, manufacturing and research business in Canada and a research, cultivation, import, manufacturing and distribution business in Germany. The Company filed a preliminary non-offering prospectus on December 28, 2018 as part of its submission with its listing application for publicly trading its shares on the Canadian Securities Exchange (“CSE”).

The Company’s head office and principal address is 1500 – 701 West Georgia Street, Vancouver, British Columbia, Canada, V6Y 1C6. The Company’s records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7

To December 31, 2018, the Company has incurred losses totaling \$865,085 as it pursues and executes on its plan to co-develop a commercial grade analytical lab at the University of Alberta for the purpose of testing cannabis and other plant-based medicines as well as pursuing medicinal cannabis opportunities in Germany.

The following table summarizes selected information from the Company's audited consolidated financial statements for the year ended December 31, 2018 and the period from incorporation to December 31, 2017.

	For the year ended December 31, 2018	For the period from incorporation to December 31, 2017
Net revenues	Nil	Nil
Loss for the period	(\$860,600)	(\$4,485)
Deficit	(\$865,085)	(\$4,485)
Total assets	\$9,199,493	\$25,000
Loss per share	(\$0.02)	(\$0.01)

REPORT ON OPERATIONS

During 2018, the Company focused on developing its opportunities with Dr. Raimar Loebenberg and the University of Alberta while also focusing on pursuing medicinal cannabis opportunities in Germany. During the year ended December 31, 2018, the Company executed the following agreements:

- The Company entered into a Service Agreement Term Sheet dated May 30, 2018 with the Faculty of Pharmacy and Pharmaceutical Sciences (the "Faculty") of the University of Alberta (the "UoA"). Further to the Service Agreement Term Sheet, on September 28, 2018, the Company and the Board of Governors of the UoA, executed a Commercial Analytical Lab Development and Services Agreement with respect to the co-development of a commercial grade analytical lab at the UoA for the purpose of testing cannabis and other plant-based medicines.

The Company is responsible to fund the development and construction of the analytical testing facility currently budgeted at \$695,000.

The agreement contemplates that the parties will enter into a service agreement under which the UoA will provide analytical testing services to the Company and others. The service agreement will have an initial 5-year term and require the Company to pay the UoA for its costs to operate and maintain the facility. Any profit (net revenue) from service fees will first be applied to pay to the Company an amount equal to 125% of its capital expenditures and operating costs in developing and establishing the analytical testing facility. Once the 125% threshold has been achieved, the Company and the UoA will equally share in profits (net revenues) from service fees.

As of December 31, 2018, the Company has paid deposits totaling \$543,353 towards equipment purchases for the testing facility.

- On August 20, 2018, the Company signed an Exclusive Dealing Agreement with Dr. Raimar Loebenberg ("Loebenberg") with respect to commercial operations under the licence issued pursuant to the Canadian Controlled Drugs and Substance Act held by Loebenberg and Loebenberg's cannabis related research and associated intellectual property. The agreement grants the Company an exclusive right to benefit from the exercise of Loebenberg's rights under the licence.

In consideration for the rights granted by Loebenberg to the Company, the Company issued 5,000,000 common shares (the "Consideration Shares"), to a company controlled by Loebenberg with a value of \$625,000. The Consideration Shares are subject to voluntary pooling (the "Loebenberg Escrow") for a period commencing on the effective date of the agreement and terminating on the date that is thirty-six months after the earlier of: (i) the date the Company's shares are listing for trading on the CSE, and (ii) the date that is six months after the effective date of the agreement. The exclusivity period commences on the closing date of the agreement and expires on the earlier of (i) termination of the agreement, and (ii)

the date that the last Consideration Shares are released from Escrow. If the licence is terminated during the exclusivity period, any remaining Escrowed Consideration Shares will be returned to the Company.

Loebenberg is entitled to revenue-based bonus payments from the sale of certain products developed by Loebenberg alone or jointly with the Company. If the Company generates at least \$10,000,000 in revenues annually from the products, Loebenberg is entitled to receive a Level One Bonus of \$200,000. If the Company generates at least \$5,000,000 in revenues annually from the products, Loebenberg is entitled to receive a Level Two Bonus of \$200,000. The Level Two Bonus is payable, at the election of the Company, either in cash or common shares at the current market price. The Company can terminate the Level One and/or Two Bonus entitlements by paying Loebenberg \$1,000,000 per each bonus entitlement.

Canaccord Genuity Corp. (“Canaccord”) provided the Company with certain corporate advisory services with respect to the intangible assets. In consideration, the Company issued 500,000 common shares on September 4, 2018 with a value of \$62,500 to Canaccord. Additional transaction costs of \$30,259 relating to the intangible assets were also incurred.

- On October 22, 2018, the Company entered into a share exchange agreement to acquire all the issued and outstanding shares of Bunker Pflanzenextrakte GmbH (“Bunker”) replacing an earlier letter of intent. As consideration, the Company will issue to Bunker shareholders 7,500,000 common shares of the Company. In addition, the Company shall reserve for issuance an aggregate of 2,500,000 common shares in the Company (the “Milestone Shares”). In the event that Bunker either (i) is granted a cultivation licence(s) within 24 months or (ii) generates EUR 2,500,000 gross revenue in an 18-month period within 36 months after the date of this agreement, then the Company will issue the Milestone Shares to Bunker shareholders.

The Company closed the share exchange agreement on December 13, 2018 and issued the 7,500,000 shares at a value of \$3,000,000 to Bunker shareholders. The 7,500,000 shares are subject to escrow and will be released in tranches over 36 months on the earlier of (i) the date of listing on the CSE and (ii) 6 months after the effective date of the agreement. For 36 months after closing, should any Bunker shareholder wish to sell any shares, the Company has the right of first refusal to purchase the shares. The Company also advanced funds to Bunker prior to closing and incurred costs relating to the transaction totaling \$1,286,722.

Canaccord provided the Company with certain corporate advisory services as part of the transaction. As consideration, the Company issued 750,000 common shares at a value of \$300,000 and 250,000 share purchase warrants, exercisable at \$0.125 per share for a period of two years from date of listing on the CSE to Canaccord. The fair value of the 250,000 warrants was \$73,392.

RESULTS ON OPERATIONS

YEAR ENDED DECEMBER 31, 2018

During the year ended December 31, 2018, the Company recorded a net loss and comprehensive loss of \$860,600 compared to a net loss and comprehensive loss of \$4,485 for the comparable period of 2017.

Operating expenses for the year ended December 31, 2018 totaled \$852,550 (Dec 2017 – \$4,485). Significant operating expenses for the year ended December 31, 2018 were comprised of professional fees of \$249,393 (Dec 2017- \$4,479), consulting fees of \$360,525 (Dec 2017 – Nil), and travel and related charges of \$96,811 (Dec 2017 – Nil). The expenditures were incurred as part of the Company’s effort to set up and execute on its business plan.

FOURTH QUARTER RESULTS

During the three months ended December 31, 2018, the Company recorded a net loss and comprehensive loss of

\$501,005 compared to a net loss and comprehensive loss of \$4,485 for the comparable period of 2017.

Operating expenses for the three months ended December 31, 2018 totaled \$492,955 (Dec 2017 – \$4,485). Significant operating expenses for the three months December 31, 2018 were comprised of professional fees of \$136,515 (Dec 2017- \$4,479), consulting fees of \$182,815 (Dec 2017 – Nil), and travel and related charges of \$46,008 (Dec 2017 – Nil). The expenditures were incurred as part of the Company’s effort to set up and execute on its business plan.

The Company’s operations are in their infancy and no comparative or trend discussion is relevant.

The following selected financial information is a summary of the eight most recently completed quarters up to December 31, 2018

	Dec 31, 2018	Sept 30, 2018	June 30, 2018	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30 2017	Mar 31, 2017
Comprehensive Loss	\$501,005	\$83,268	\$192,603	\$83,724	\$4,485	\$Nil	\$Nil	\$Nil
Basic and Diluted Loss per Share	0.02	0.01	0.01	0.01	0.01	Nil	Nil	Nil

Liquidity and Capital Resources

The Company had cash and cash equivalents of \$2,365,597 at December 31, 2018 compared to \$nil at December 31, 2017.

During 2018, the Company completed a private placement in January 2018 and issued 17,340,000 units at \$0.125 per unit for gross proceeds of \$2,167,500. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from date of listing on the CSE. The Company also closed another private placement in May 2018 whereby the Company issued 5,762,000 units at \$0.125 per unit for gross proceeds of \$720,250. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from date of listing on the CSE. The Company completed a third private placement in July 2018 whereby the Company issued 1,250,000 units at \$0.125 per unit for gross proceeds of \$156,250. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 per share for a period of two years from date of listing on the CSE. The Company completed a fourth private placement in November 2018 whereby the Company issued 862,000 units at \$0.125 per unit for gross proceeds of \$107,750. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.70 for a period of two years from date of listing on the CSE. The Company completed a Special Warrant offering in December 2018 whereby the Company issued 4,445,500 Special Warrants at \$0.40 per Special Warrant for gross proceeds of \$1,778,200. Each Special Warrant will automatically convert, for no additional consideration, into one common share of the Company and one share purchase warrant on the earlier of (i) the third business day after final prospectus receipt, and (ii) 4 months and one day after the issue date of the Special Warrants. Each warrant issued on conversion will entitle the holder to purchase one common share at a price of \$1.20 per share for a period equal to the shorter of (i) two years after the listing date on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the Special Warrants. Proceeds thus far have been used primarily for general and administrative fees and expenses related to personnel and the execution of both the Exclusivity Dealing Agreement and the Commercial Analytical Lab Development and Services Agreement. Additionally, to December 31, 2018, the Company has advanced funds totaling \$827,465 to Bunker Pflanzenextrakte GmbH, in connection with the German operations.

During 2017, the Company completed one subscription totaling 500,000 shares at a price of \$0.05 per share to the sole Director of the Company for total proceeds of \$25,000.

The Company has forecast its cash requirements for the next fiscal year and believes will have sufficient cash resources and liquidity to sustain its current planned activities. This assessment is based on the Company’s budget, its available cash and future planned financing activities. Future planned activities related to the acquisition of Bunker Pflanzenextrakte GmbH and receipt of will require the Company to raise additional capital which the Company plans to do.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Key management personnel are the persons responsible for planning, directing, and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers its directors, Chief Executive Officer and Chief Financial Officer of the Company and Managing Director of Bunker to be key management personnel.

The following is a summary of the Company's key management compensation.

	December 31, 2018	December 31, 2017
Consulting fees – Hugh Rogers, CEO & Director	\$ 155,000	\$ -
Consulting fees – Christopher Ross, CFO	43,750	-
Consulting fees – Dr. Raimar Löbenberg, Director	20,000	-
Consulting fees – Wolfgang Probst, Director	7,644	-
Consulting fees- Robert Barth, Managing Director, Bunker	7,644	-
Share-based compensation – Hugh Rogers, CEO & Director	4,675	-
Share-based compensation – Christopher Ross, CFO	2,517	-

As at December 31, 2018, \$20,598 (2017 - \$ nil) remained unpaid and due to Dr. Raimar Löbenberg and Robert Barth and has been included in accounts payable and accrued liabilities.

All related transactions are in the normal course of business and are measured at the exchange amount.

Outlook

The Company, through its wholly owned subsidiaries, is developing a testing, manufacturing, and research business in Canada and a research, cultivation, import, manufacturing, and distribution business in Germany.

Canada

XPhyto Laboratories Corp., a wholly owned Alberta subsidiary is focused on development of an analytical testing and extract manufacturing business in collaboration with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta, and intends to subsequently pursue the invention and clinical study of proprietary cannabis-based formulas for medical indications. Analytical testing, manufacturing, formulation and clinical studies will be carried out pursuant to an exclusive agreement with Dr. Raimar Loebenberg in respect of the use of his Health Canada dealer's licence. Analytical testing and manufacturing will be carried out in laboratories at the University of Alberta with equipment and facilities upgrades to be funded by the Company.

Exclusive Dealing Agreement - Health Canada Licence

On August 20, 2018, the Company signed an Exclusive Dealing Agreement with Dr. Raimar Loebenberg with respect to commercial operations under his Health Canada licence and to his cannabis related research and associated intellectual property. The agreement grants the Company an exclusive right to benefit from Loebenberg's rights under Health Canada Licence No. 2017/6875 pursuant to the provisions of the Controlled Drugs and Substances Act and its Regulations authorizing possession, production, packaging, sale, sending, transportation and delivery, and analytical testing of cannabis (the "Exclusive Rights"). The Exclusive Rights expire upon final release of shares pursuant to the Loebenberg Escrow but may be renewed by mutual agreement in subsequent one-year periods. Pursuant to the Exclusive Dealing Agreement, Loebenberg has agreed to act as Qualified Person in Charge for the purpose of any additional Health Canada licences applied for by the Company.

In consideration for the rights granted by Loebenberg to the Company, the Company issued 5,000,000 common shares, to a company controlled by Loebenberg with a value of \$625,000. The Consideration Shares are subject to voluntary pooling for a period commencing on the effective date of the agreement and terminating on the date that is thirty-six months after the earlier of: (i) the date the Company's shares are listing for trading on the CSE, and (ii) the date that is six months after the effective date of the agreement. The exclusivity period commences on the closing date of the agreement and expires on the earlier of (i) termination of the agreement, and (ii) the date that the last Consideration Shares are released from Loebenberg Escrow. If the licence is terminated during the exclusivity period, any remaining

Escrowed Consideration Shares will be returned to the Company.

Loebenberg is entitled to revenue-based bonus payments from the sale of certain products developed by Loebenberg alone or jointly with the Company. If the Company generates at least \$10,000,000 in revenues annually from the products, Loebenberg is entitled to receive a Level One Bonus of \$200,000. If the Company generates at least \$5,000,000 in revenues annually from the products, Loebenberg is entitled to receive a Level Two Bonus of \$200,000. The Level Two Bonus is payable, at the election of the Company, either in cash or common shares at the current market price. The Company can terminate the Level One and/or Two Bonus entitlements by paying Loebenberg \$1,000,000 per each bonus entitlement.

Testing and Manufacturing - Canada

The initial phase of XPhyto's business development is founded on two strategic cannabis-related collaborations with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta: 1) an exclusive five year agreement to co-develop and operate a commercial grade analytical lab for the testing of cannabis and other plant-based medicines (the "Testing Agreement"); and 2) an exclusive five year product manufacturing agreement to extract cannabis-derived compounds and produce pharmaceutical grade isolates (the "Manufacturing Agreement").

Pursuant to both agreements, XPhyto shall provide the necessary start-up funding for any testing and manufacturing equipment and equipment and facility upgrades, as well as all ongoing operational expenses and business marketing. The Faculty of Pharmacy shall provide qualified staff, certified laboratory facilities, and ongoing regulatory support. Any necessary testing or manufacturing services not available within the Faculty's facilities shall be outsourced and coordinated by the Faculty.

With respect to analytical testing, the Company entered into a Service Agreement Term Sheet dated May 30, 2018 with the Faculty of Pharmacy and Pharmaceutical Sciences of the University of Alberta. Further to the Service Agreement Term Sheet, on September 28, 2018, the Company and the Board of Governors of the University of Alberta, executed a Commercial Analytical Lab Development and Services Agreement for the co-develop of a commercial grade analytical lab at UoA for the purpose of testing cannabis and other plant-based medicines.

The agreement contemplates that the parties will enter into a service agreement under which the UoA will provide analytical testing services to the Company and others. The service agreement will have an initial 5-year term and require the Company to pay the UoA for its costs to operate and maintain the facility. Any profit (net revenue) from service fees will first be applied to pay to the Company an amount equal to 125% of its capital expenditures in developing and establishing the analytical testing facility. Once the 125% threshold has been achieved, the Company and the UoA will equally share in profits (net revenues) from service fees.

The Company is responsible to fund the development and construction of the analytical testing facility. As of January 31, 2019, the Company has paid all expected development costs including equipment, training, and facility upgrades.

On December 7, 2018, the Company and the UoA executed an exclusive five-year product manufacturing agreement pursuant to which the Faculty of Pharmacy and Pharmaceutical Sciences agreed to manufacture cannabis-based extracts and isolates. The Company is responsible to provide any necessary equipment for the manufacture of the extracts and isolates and will pay UoA an annual fee estimated at \$140,000.

The purpose of XPhyto's analytical testing agreement is two-fold: 1) to provide third-party testing services to Canadian cannabis cultivators, wholesalers and retailers; and 2) to provide in-house testing for XPhyto's manufacturing business. XPhyto does not intend to cultivate cannabis in Canada nor does it intend to sell cannabis in Canada. Accordingly, XPhyto believes it will be well positioned to provide independent analytical services to both growers and purchasers.

Manufacturing capability, focused on production of pharmaceutical grade isolates, is designed to provide XPhyto with access to materials for use in subsequent phases of its business development, namely formulation and pilot studies. Certified in-house testing combined with its manufacturing capability is expected to help facilitate access to quality product on a consistent and timely basis.

XPhyto's testing and manufacturing business is expected to be operational in Q2 2019.

Formulations and Pilot Studies - Canada

Successful development of XPhyto's testing and manufacturing business (Phase I) is intended to lay the foundation for the development of proprietary formulations and related clinical studies. Using the pharmaceutical grade isolates from its manufacturing program, XPhyto intends to develop formulations for certain key medical indications, including but not limited to: pain, inflammation, and sleep disorders.

The Company expects to take a cautionary approach to formulation which entails advancing the formulation process with anecdotal data in mind but testing a number of different combinations of cannabinoid isolates for efficacy, regardless of presumed or historic status. XPhyto will also be investigating several delivery methods, including oral, sublingual, aerosol, and topical systems.

Dr. Löbenberg will be overseeing the formulation and delivery programs and related pilot studies. The Faculty of Pharmacy, in collaboration with the Company, has been actively recruiting a PhD post-doc researcher (the "Post-Doc") to work on formulations and pilot studies for the Company. The Post-Doc will conduct research activities under the supervision of Dr. Löbenberg. The Company expects the Post-Doc to begin work on March 15, 2019.

XPhyto's formulation business is expected to begin underway in Q2 2019. Pending success in its formulation business the Company may proceed with human pilot studies to explore the efficacy of specific formulations. Excluding the cost of the Post-Doc, which is incorporated into the manufacturing facility budget, the pilot studies are expected to cost an additional \$100,000 each. The Company has not included funding for any pilot studies in the current budget.

Independent Licencing - Canada

The Company is preparing to draft an application for a corporately held dealer's licence or other Health Canada licences at a location outside the University of Alberta. The Company is exploring alternate locations and expects to make a formal application to Health Canada in Q2 2019.

Germany

XPhyto's wholly owned German subsidiary, Bunker, holds a long-term lease on a decommissioned former military command centre in Bavaria which is the proposed site associated with two pending licence applications and several future applications expected to be submitted in early 2019. The facility will require upgrades to its mechanical systems, fire and security systems, as well specialized flooring and ceiling modification to achieve GMP certification, which is a necessary component of all licence applications. Bunker has submitted a cannabis research licence in collaboration with the Technical University of Munich, substantially re-submitted in July 2018, and commercial cannabis cultivation licences pursuant to the German tender process submitted by Bunker's wholly owned subsidiary on December 11, 2018. The pending cultivation licences are limited to 200 kg of flower per licence per year with a maximum of five licences available for any one applicant. Applications for cannabis import, distribution and manufacturing (extraction and isolation) are expected to be submitted by Bunker in Q2 2019.

Cannabis R&D Licence Application – Germany

In 2017, Bunker submitted an application to the Bundesinstitut für Arzneimittel und Medizinprodukte ("BfArM") for a cannabis research and development licence, based on proposed research to be conducted at the Bunker facility. On July 25, 2018, Bunker submitted a revised joint application for a research and development licence in collaboration with the Technical University of Munich ("TUM"). The majority of the proposed research is to be conducted at the Bunker facility over a period of approximately three years.

The specific application was made to the Bundesopiumstelle (the "BOPST") for permission to cultivate and breed cannabis for research purposes pursuant to §3 Betäubungsmittelgesetz (the "BtMG") (82.02-46383140214/16). The application is currently under review. TUM expressly supports this application and has requested early approval from the BOPST.

The application generally relates to "production of high-quality cannabis raw material for medical and pharmaceutical uses". The more specific objective is: determination of differential composition and biosynthesis of cannabinoids and related metabolites of cannabis trichomes depending on genetic background of different cultivars and cultivation conditions.

The working group collaborators at TUM will contribute their experience in the analysis of metabolites, metabolic pathways and ¹³C labelling studies on cannabis plant or trichomes, while Bunker will contribute its planned technical infrastructure for the large-scale and controlled cultivation of cannabis plants, as well as know-how in the cultivation

of cannabis and the isolation and processing of cannabis trichomes. The preliminary research will systematically observe the influence of external conditions (e.g. substrate, light, nutrient solution) on the metabolite spectrum of 80 strains x 3 grow cycles/year x 4 replicates (960 total samples).

Extracts and isolation of cannabis trichomes will be carried out in the Bunker facility. The quantitative detection of the cannabinoids and other bioactive ingredients via HPLC, GC-MS and NMR will be carried out at TUM. The dynamics of metabolism in cannabis trichomes and the spectrum of comparative data from trichomes will be investigated. Approximately five chemo-strains will be selected out of 80.

The ultimate purpose of the study is to create synergies in research, development, and commercial applications in the area of cannabis science "metabolomics".

Commercial Cultivation Licence – Germany

The first German cannabis cultivation tender was initiated by the German health authority, BfArM, in 2017 but was cancelled after the proceedings had been successfully challenged in German courts. BfArM announced a second tender in mid-2018 with applications due December 11, 2018.

Bunker submitted applications to BfArM on December 11, 2018 for cannabis cultivation licences pursuant to the open tender process due that same day. The specific licences sought are authorizations for handling narcotic drugs from the BOPST pursuant to §3 BtMG and a cultivation specific manufacturing licence from the local authority, Regierung Oberbayern (the "RO") pursuant to §13 Arzneimittelgesetz ("AMG"). BfArM is reviewing the applications and the evaluation procedure is currently ongoing.

The cultivation tender was an open tender for which any applicant could apply so long as they met the professional and financial qualifications and provided financial pricing models and concept designs for production. The applications are being evaluated 40% on projected price per gram of cannabis and 60% on the quality of application.

The tender is separated into 13 individual lots, each pertaining to a planned annual production amount of 200 kg per year (for four years). BfArM will be obliged to take delivery of up to 150% of the planned annual amount. In addition, the parties may agree to an increase of the planned annual amount by up to 10%. Each bidder may receive a maximum of five lots. BfArM will control the cultivation, harvesting, processing, quality inspection, storage, packaging and distribution of product to wholesalers and pharmacists or manufacturers.

Companies participating in the tender must demonstrate that they have the capability to fulfill the contract through prior experience in cultivating and processing of cannabis or through experience in the cultivation of other medicinal plants. The bidder (or one of the partners of a bidder consortium) can present its own references or it may rely on the references of a third party if the bidder offers proof that the know-how of this third party will be available to the bidder during contract performance.

Professional experience, budget planning and professional liability insurance are reviewed by BfArM as part of the process. Further, the bidders must submit a variety of information and concepts that are evaluated by BfArM. This includes information on the technical equipment to be used, the construction of the plantation site, the planned cultivation and production processes, the production cycles, the selection and training of staff, and security measures to prevent illicit use of the cannabis.

Cannabis grown for BfArM will be used exclusively for medical purposes and must be cultivated in accordance with Good Agricultural and Collection Practice ("GACP") and processed according to Good Manufacturing Practice ("GMP") one of the highest technical standards. The production of cannabis must also comply with the requirements of German law on narcotics and medical products. The selected companies will be responsible for the entire cannabis production process, from start to finish, including cultivation, processing, quality control and clearance, storage, packaging, delivery and destruction of the remaining plants.

BfArM is the exclusive purchaser of cannabis from the selected companies and will set a price for the sale to wholesalers or pharmacies taking into account its own costs but without making any profits or surpluses itself. BfArM has no influence on the retail prices in the pharmacy.

Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments,

estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

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 revision and further periods if the review affects both current and future periods.

Key Sources of estimation and uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

i) Share-based compensation

The inputs used in calculating the fair value for share-based compensation included in profit or loss. The share-based compensation expense is estimated using the Black-Scholes option pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

ii) Deferred tax assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

iii) Economic recoverability and probability of future economic benefits of intangible assets and amortization

Management has determined that acquired intangible assets costs may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life.

The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.

iv) Business combinations

The determination of whether a set of assets acquired, and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with Bunker Pflanzenextrakte GmbH was determined to constitute an acquisition of assets.

Financial Instruments and Risk Management

Fair Value

Cash is carried at fair value using level 1 fair value measurement. The carrying value of amounts receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The Company records certain of its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market prices (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal and external valuation models, such as discounted cash flow

analyses, using, to the extent possible, observable market-based inputs.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company has exposures to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk at December 31, 2018 under its financial instruments is approximately \$2.4 million.

All of the Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is very limited interest rate risk as the Company has no interest-bearing debt.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

Foreign exchange rate risk

The Company operates in Canada and Germany and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Subsequent Events

- a) On February 28, 2019, the Company issued 1,120,000 Special Warrants at \$0.40 per Special Warrant for gross proceeds of \$448,000. Each Special Warrant will automatically convert, for no additional consideration, into one common share of the Company and one share purchase warrant on the earlier of (i) the third business day after final prospectus receipt, and (ii) 4 months and one day after the issue date of the Special Warrants.

Each warrant issued on conversion will entitle the holder to purchase one common share at a price of \$1.20 per share for a period equal to the shorter of (i) two years from the listing date on the CSE or another stock

exchange recognized under provincial securities laws, and (ii) five years after the issue date of the Special Warrants.

The Company paid finders fees of \$35,840 and issued finders warrants to purchase an aggregate of 89,600 common shares at a price of \$0.40 per share for a period of 2 years from date of listing on the CSE.

- b) On February 28, 2019, the Company issued 457,500 units at \$0.40 per unit for gross proceeds of \$183,000. Each unit consisted of one common share and one share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$1.20 per share for a period equal to the shorter of (i) two years from the listing date on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the units. The Company paid finder fees of \$14,640 and also issued 36,600 finders warrants to purchase an aggregate of 36,600 common shares at a price of \$0.40 per share for a period of two years from date of listing on the CSE.
- c) In March 2019, the Company entered into a 3-year consultancy agreement. As consideration, the Company will pay EUR 3,000 per month and issue 50,000 shares of the Company. In the event that the consultant is appointed as managing director, board member or similar role of a newly formed Bunker subsidiary, the Company will issue 50,000 common shares to the consultant (“Milestone A Shares”). Should this subsidiary generate EUR 1,000,000 gross revenue in any 12-month period within 12 months after the achievement of Milestone A Shares, the Company will issue 50,000 common shares to the consultant (“Milestone B Shares”). Should this subsidiary generate EUR 5,000,000 gross revenue in any 18-month period within 18 months after the achievement of Milestone B Shares, the Company will issue 100,000 common shares to the consultant (“Milestone C Shares”).

Risks and Uncertainties

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Negative Operating Cash Flows

As the Company is an early stage start-up it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers and directors. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Management's Responsibility for the Financial Statements

The information provided in this report is the responsibility of management. In the preparation of these statements,

estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Risk Factors

Market Risk for Securities

We are an issuer company whose common shares are not listed for trading on a stock exchange. There can be no assurance that an active trading market for our common shares will be established and sustained. Upon a listing, the market price for our common shares could be subject to wide fluctuations. Factors such as government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Uninsured or Uninsurable Risk

We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

Conflicts of Interest Risk

Certain of our directors and officers are also directors in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers' conflict with or diverge from our interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, our directors and officers may owe the same duty to another company and will need to balance their competing interests with duties to us.

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

Key Personnel Risk

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

No Established Market for Shares Risk

There is currently no established trading market through which common shares in our authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. You may lose your entire investment.

Dividend Risk

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain any earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

It is anticipated that our common shares will be listed for trading on the Exchange. As such, external factors outside of our control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward the cannabis sector stocks may have a significant impact on the market price of our common shares. Global stock markets including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Nature of the Business Model

Probable lack of business diversification.

Because the Company will be focused on developing its business ancillary to the cannabis industry, and potentially directly in the cannabis industry, the prospects for the Company's success will be dependent upon the future performance and market acceptance of the Company's intended facilities, products, processes, and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, the Company does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses. Again, the prospects for the Company's success may become dependent upon the development or market acceptance of a very limited number of facilities, products, processes or services.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

The Company may be subject to additional regulatory burden resulting from its public listing on the CSE.

The Company has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE. The Company is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Company's financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over

financial reporting. However, the Company cannot assure holders of Company's shares that these and other measures that the Company might take will be sufficient to allow us to satisfy the Company's obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that the Company might incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business.

There is no assurance that the Company will turn a profit or generate immediate revenues.

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

The Company has grown by acquisition. If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Common Shares.

The Company may be unable to adequately protect its proprietary and intellectual property rights

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;
- another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time,

the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some U.S. state jurisdictions or under U.S. federal law, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

An increase in the number of companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's Chief Executive Officer, Chief Operating Officer, and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

There is no assurance that the Company will obtain and retain any relevant licenses.

If obtained, any licenses are expected to be subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Company.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Stock Option Plan and upon the exercise of outstanding Warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the

Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

No guarantee on the use of available funds by the Company.

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of its proceeds. Accordingly, a holder of Common Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the available funds in a manner that does not produce income or that loses value.

Currency Fluctuations.

A significant portion of the Company's German subsidiary expenses are expected to be denominated in Euros, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the Euro and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Outstanding Share Data

Authorized and issued share capital as at March 15, 2019:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	39,921,500

- As at March 15, 2019, there were 1,000,000 stock options outstanding.
- As at March 15, 2019, there were 15,740,500 warrants outstanding
- As at March 15, 2019, there were 5,565,000 Special Warrants outstanding

Other Information

Additional information on the Company is available on SEDAR at www.sedar.com.

Schedule “C”

XPHYTO THERAPEUTICS CORP. CHARTER OF THE AUDIT COMMITTEE

1. PURPOSE AND PRIMARY RESPONSIBILITY

1.1 This charter sets out the Audit Committee’s purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the “**Board**”) of XPhyto Therapeutics Corp. (the “**Company**”), annual evaluation and compliance with this charter.

1.2 The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

2. MEMBERSHIP

2.1 At least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), provided that should the Company become listed on a senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

2.2 The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.

2.3 The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

2.4 The Chair of the Audit Committee will be appointed by the Board.

3. AUTHORITY

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

- (a) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;
- (b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
- (c) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

4. DUTIES AND RESPONSIBILITIES

4.1 The duties and responsibilities of the Audit Committee include:

- (a) recommending to the Board the external auditor to be nominated by the Board;

- (b) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;
- (c) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);
- (d) overseeing the work of the external auditor;
- (e) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;
- (f) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
- (g) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
- (h) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;
- (i) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;
- (j) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;
- (k) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;
- (l) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;
- (m) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;
- (n) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;
- (o) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (p) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;

- (q) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;
- (r) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- (s) resolving disputes between management and the external auditor regarding financial reporting;
- (t) establishing procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (u) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (v) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (w) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;
- (x) establishing procedures for:
 - (i) reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;
 - (ii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;
 - (iii) obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("CEO") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;
 - (iv) reviewing fraud prevention policies and programs, and monitoring their implementation;
 - (v) reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:
 - (A) Tax and financial reporting laws and regulations;
 - (B) Legal withholding requirements;
 - (C) Environmental protection laws and regulations; and
 - (D) Other laws and regulations which expose directors to liability.

4.2 A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

4.3 On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

5. MEETINGS

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

5.2 The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

5.3 The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

5.4 The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.5 The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

5.6 Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

6. REPORTS

6.1 The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

6.2 The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

7. MINUTES

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

8. ANNUAL PERFORMANCE EVALUATION

8.1 The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.

CERTIFICATE OF XPHYTO THERAPEUTICS CORP.

Dated: March 25, 2019

This amended and restated non-offering preliminary prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by XPhyto Therapeutics Corp. as required by the securities legislation of British Columbia, Alberta, Manitoba, and Ontario.

(signed) Hugh Rogers

Hugh Rogers

Chief Executive Officer

(signed) Christopher Ross

Christopher Ross

Chief Financial Officer

On Behalf of the Board of Directors

(signed) Wolfgang Probst

Wolfgang Probst

Director

(signed) Raimar Löbenberg

Raimar Löbenberg

Director

CERTIFICATE OF THE PROMOTERS

Dated: March 25, 2019

This amended and restated non-offering preliminary prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by XPhyto Therapeutics Corp. as required by the securities legislation of British Columbia, Alberta, Manitoba, and Ontario.

(signed) Hugh Rogers

Hugh Rogers