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

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of XPhyto Therapeutics Corp. have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company.

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

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

	Note		March 31, 2019		December 31, 2018
Assets					
Current assets					
Cash		$	2,708,475	$	2,365,597
Amounts receivable			113,666		95,314
Prepaid expenses			53,392		8,849
			2,875,533		**2,469,760**
Non-current assets					
Deposits	15		130,095		543,353
Equipment	6		454,242		9,513
Intangible asset	7		601,479		653,103
Right-of-use asset	8		5,367,709		5,523,764
Total assets		**$**	**9,429,058**	**$**	**9,199,493**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	9	$	321,014	$	387,826
Lease liability	8		97,399		99,786
			418,413		**487,612**
Non-current liabilities					
Lease liability	8		976,201		949,556
Total liabilities			**1,394,614**		**1,437,168**
Equity					
Shareholders' equity					
Share capital	10		6,986,982		6,590,003
Special warrants	10		2,226,200		1,778,200
Subscriptions received in advance	17		213,500		-
Share based payments reserve			349,632		259,207
Accumulated deficit			(1,741,870)		(865,085)
Total shareholders' equity			**8,034,444**		**7,762,325**
Total liabilities and shareholders' equity		**$**	**9,429,058**	**$**	**9,199,493**

Approved by the Directors on May 27, 2019

Hugh Rogers (signed) ***Wolfgang Probst (signed)***

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Subsequent events (Note 17)

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

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

	Three Months Ended March 31	
	2019	**2018**
Operating Expenses		
Depreciation and amortization	$ 208,349	$ -
Professional fees	85,048	30,990
Consulting fees	16,703	28,875
Salaries and benefits	231,382	-
Share-based compensation (Note 11)	58,844	-
Regulatory fees	5,966	-
Office and miscellaneous	47,493	922
Travel and related	8,894	21,626
Rent	45,661	1,311
Research and lab fees	56,000	-
Foreign exchange (gain)	73,049	-
Operating Loss	(837,388)	(83,724)
Finance costs (Note 8)	39,397	-
Loss and Comprehensive Loss for the period	$ (876,785)	$ (83,724)
Loss Per Share – Basic and Diluted	$ (0.02)	$ (0.01)
Weighted Average Number of Common Shares Outstanding	39,636,028	11,867,333

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

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

	Three Months Ended March 31	
	2019	**2018**
Operating Activities		
Loss for the period	$ (876,785)	$ (83,724)
Adjustments for:		
Amortization	208,349	-
Share-based compensation	58,844	-
Accrued interest	39,397	-
Changes in non-cash working capital items		
Amounts receivable	(18,352)	-
Prepaid expenses	(44,543)	(10,285)
Accounts payable and accrued liabilities	(66,812)	43,758
Lease liability	(15,139)	-
Cash Used in Operating Activities	(715,041)	(50,246)
Investing Activities		
Deferred acquisition costs	-	(102,023)
Equipment acquisition	(32,141)	-
Cash Used in Investing Activities	(32,141)	(102,023)
Financing Activities		
Proceeds from issuance of shares	505,000	2,167,500
Share issue costs	(76,440)	(173,700)
Share subscription received	213,500	25,000
Proceeds from special warrant issuance	448,000	-
Cash Provided by Financing Activities	1,090,060	2,018,800
Net change in cash for the period	342,878	1,866,531
Cash and cash equivalents, beginning of period	2,365,597	-
Cash and cash equivalents, end of period	$ 2,708,475	$ 1,866,531

Supplemental disclosure with respect to cash flows (Note 16)

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

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

	Number of Common Shares	**Share Capital**	**Special Warrants**	**Subscriptions Received in Advance**	**Reserves**	**Accumulated Deficit**	**Total Shareholders' Equity**
Balance, January 1, 2018	**500,000**	**$ 25,000**	**$ -**	**$ -**	**$ -**	**$ (4,485)**	**$ 20,515**
Share issuances, financings	17,340,000	2,167,500	-	-	-	-	2,167,500
Issue costs	-	(173,700)	-	-	-	-	(173,700)
Finders warrants	-	(85,386)	-	-	85,386	-	-
Loss for the period	-	-	-	-	-	(83,724)	(83,724)
Balance, March 31, 2018	17,840,000	1,933,414	-	-	85,386	(88,209)	1,930,591
Balance, January 1, 2019	**39,464,000**	**$ 6,590,003**	**$ 1,778,200**	**$ -**	**$ 259,207**	**$ (865,085)**	**$ 7,762,325**
Share issuances, financings	1,252,500	505,000	-		-	-	505,000
Issue costs	-	(76,440)	-		-	-	(76,440)
Finders warrants	-	(31,581)	-		31,581	-	-
Share based compensation	-	-	-		58,844	-	58,844
Special warrant financing	-	-	448,000		-	-	448,000
Subscriptions received in advance	-	-	-	213,500	-	-	213,500
Loss for the period	-	-	-		-	(876,785)	(876,785)
Balance, March 31, 2019	40,716,500	$ 6,986,282	$ 2,226,200	$ 213,500	$ 349,632	$ (1,741,870)	$ 8,033,744

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

(Expressed in Canadian dollars)

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 17).

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 unaudited condensed consolidated interim 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 $2,459,725 as at March 31, 2019 which 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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", and IFRS as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2018, as some disclosures from the annual financial statements have been condensed or omitted.

These unaudited condensed consolidated interim financial statements were prepared using accounting policies consistent with those in the audited financial statements as at and for the year ended December 31, 2018.

These financial statements were authorized by the Company's Directors on May 27, 2019.

b) Basis of Consolidation

The following entities have been consolidated within these unaudited condensed consolidated interim 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.

2. BASIS OF PRESENTATION (cont'd)

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.

c) Basis of measurement

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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) <u>Share-based compensation</u>

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) <u>Deferred tax assets</u>

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.

2. BASIS OF PRESENTATION (cont'd)

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.

Significant judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

i) 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

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2018. In addition, the Company has begun to apply the following:

a) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset. The expenditures capitalized include the costs of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditure is recognized in profit or loss as incurred.

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.

4. COMMERCIAL ANALYTICAL LAB DEVELOPMENT AND SERVICES AGREEMENT (cont'd)

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.

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).

(Expressed in Canadian dollars)

5. ASSET ACQUISITION (cont'd)

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
	$4,660,114

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
	$4,660,114

6. EQUIPMENT

	Office equipment	Computer Hardware	Testing equipment	Total
Cost				
Balance at January 1, 2018	$ -	$ -	$ -	$ -
Additions	4,626	5,628	-	10,254
Balance at December 31, 2018	4,626	5,628	-	10,254
Additions	781		444,618	445,399
Disposals				
Balance at March 31, 2019	**$ 5,407**	**$ 5,628**	**$ 444,618**	**$ 455,653**
Accumulated Depreciation				
Balance at January 1, 2018	$ -	$ -	$ -	$ -
Depreciation	27	714	-	741
Balance at December 31, 2018	27	714	-	741
Depreciation	235	435		670
Balance, March 31, 2019	**$ 262**	**$ 1,149**	$ -	**$ 1,411**
Carrying amounts				
As at January 1, 2018	$ -	$ -	$ -	$ -
As at December 31, 2018	$ 4,599	$ 4,914	$ -	$ 9,513
As at March 31, 2019	**$ 5,145**	**$ 4,479**	**$ 444,618**	**$ 454,242**

6. EQUIPMENT (cont'd)

In March 2019, the installation and training on the lab testing equipment, excluding the extraction equipment was completed. Depreciation will be recognized effective April 2019 for the lab testing equipment.

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.

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.

(Expressed in Canadian dollars)

7. INTANGIBLE ASSETS (cont'd)

	Right-to-use License	Web Design	Total
Cost			
Balance at January 1, 2018	$ -	$ -	$ -
Additions	717,759	4,811	722,570
Balance at December 31, 2018	717,759	4,811	722,570
Additions	-	-	-
Balance at March 31, 2019	**$ 717,759**	**$ 4,811**	**$ 722,570**
Accumulated Depreciation			
Balance at January 1, 2018	$ -	$ -	$ -
Amortization	68,358	1,109	69,467
Balance at December 31, 2018	68,358	1,109	69,467
Amortization	51,269	355	51,624
Balance, March 31, 2019	**$ 119,627**	**$ 1,464**	**$ 121,091**
Carrying amounts			
As at January 1, 2018	$ -	$ -	$ -
As at December 31, 2018	$ 649,401	$ 3,702	$ 653,103
As at March 31, 2019	**$ 598,132**	**$ 3,347**	**$ 601,479**

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.

	March 31, 2019	December 31, 2018
Right of Use asset		
Opening balance	$ 5,523,764	$ -
Balance at acquisition	-	5,550,669
Depreciation	(156,055)	(26,905)
	$ 5,367,709	$ 5,523,764
Lease liability		
Opening balance	$ 1,049,342	$ -
Balance at acquisition	-	1,043,998
Payments	(15,139)	-
Accrued interest	39,397	5,344
	$ 1,068,256	$ 1,049,342
Current portion	$ 97,399	$ 99,786
Non-current portion	$ 976,201	$ 949,556

(Expressed in Canadian dollars)

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

Using the March 31, 2019 period end exchange rate, the estimated annual commitment over the term of the lease is as follows:

2019	$ 71,883
2020	$ 102,266
2021	$ 108,754
2022	$ 130,766
2023	$ 214,390
2024 and beyond	$ 835,852

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2019		December 31, 2018
Trades payables	$	105,117	$	120,476
Accrued liabilities		215,896		267,350
	$	**321,013**	**$**	**387,826**

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.

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.

10. SHARE CAPITAL (cont'd)

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.

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.

10. SHARE CAPITAL (cont'd)

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 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 $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. The finders' warrants had a fair value of $14,863 estimated using the Black-Scholes option pricing model with a volatility of 75%, risk-free interest rate of 1.78%, dividend rate of 0% and expected life of 2 years.

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 date of listing 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. The finders' warrants had a fair value of $6,071 estimated using the Black-Scholes option pricing model with a volatility of 75.00%, risk-free interest rate of 1.78%, dividend rate of 0% and expected life of 2 years.

On March 29, 2019, the Company issued 805,000 units at $0.40 per unit for gross proceeds of $322,000. 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 date of listing 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 $25,760 and also issued 64,400 finders warrants to purchase an aggregate of 64,400 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 $10,647 estimated using the Black-Scholes option pricing model with a volatility of 75.00%, risk-free interest rate of 1.55%, dividend rate of 0% and expected life of 2 years.

As at March 31, 2019, 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. 500,000 common shares related to the exclusivity agreement between the Company and Loebenberg have been released from escrow. 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.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd)

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2018 to March 31, 2019:

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2018	-	$ -
Issued warrants	15,156,800	0.61
Balance at December 31, 2018	15,156,800	0.61
Issued warrants	1,453,100	1.09
Balance at March 31, 2019	16,609,900	$ 0.65

As at March 31, 2019, 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
89,600	$ 0.40	2 years from listing
457,500	$ 1.20	2 years from listing
36,600	$ 0.40	2 years from listing
805,000	$ 1.20	2 years from listing
64,400	$ 0.40	2 years from listing
16,609,900		

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.

(Expressed in Canadian dollars)

11. SHARE-BASED COMPENSATION (cont'd)

Share option transactions from January 1, 2018 to March 31, 2019 are as follows:

	Number of options	Weighted Average Exercise Price
Balance at January 1, 2018	-	$ -
Issued options	1,000,000	0.50
Balance at December 31, 2018	1,000,000	0.50
Issued options	-	-
Balance at March 31, 2019	1,000,000	$ 0.50
Exercisable	Nil	

The Company recorded share-based compensation of $58,844 during the period ended March 31, 2019 (March 31, 2018 – nil). 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:

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

No stock options were granted during the period ended March 31, 2019 (March 31, 2018 – nil).

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 and Chief Financial Officer of Bunker to be key management personnel.

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

	March 31, 2019	March 31, 2018
Consulting fees	$ 15,000	$ 22,500
Salaries and benefits	173,066	-
Share-based compensation	58,844	-

As at March 31, 2019, $19,910 (December 31, 2018 - $ 20,598) 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.

13. MANAGEMENT OF CAPITAL

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.

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:

<u>Credit Risk</u>

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 March 31, 2019 under its financial instruments is approximately $ 2.7 million.

The majority 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.

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

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.

The following is a summary of the maturities for the Company's lease liabilities as at March 31, 2019.

	Up to 1 year ($)	1 year to 2 years ($)	More than 2 years ($)
Lease liabilities	97,399	102,316	1,264,196
TOTAL:	97,399	102,316	1,264,196

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:

March 31, 2019	Euro	Total
Cash and cash equivalents	$ 59,367	$ 59,367
Amounts receivable	87,986	87,986
Total financial assets	147,353	147,353
Less: accounts payable and accrued liabilities	(137,947)	(137,947)
Less: Lease liability	(1,064,194)	(1,064,194)

At March 31, 2019, 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 $106,000 decrease (increase) 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.

As of March 31, 2019, the Company has paid deposits totaling $130,095 towards extraction equipment purchases.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the period ended March 31, 2019 consisted of:

1) The issuance of 190,600 finder warrants with a fair value of $31,581 relating to the issuance of shares.

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

17. SUBSEQUENT EVENTS

Subsequent events to March 31, 2019 are as follows:

a) On April 11, 2019, the Company issued 765,705 units at $0.40 per unit for gross proceeds of $306,282. 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 date of listing on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the units.

b) On April 11, 2019, the Company issued 50,000 common shares pursuant to a consultancy agreement.

c) On April 11, 2019, the Company issued 100,000 stock options to a consultant of the Company. The stock options vest immediately from the date of grant. The stock options are exercisable for a period of two years at an exercise price of $0.50 per common share.

d) On April 29, 2019, the Company issued 4,445,500 common shares and 4,445,500 share purchase warrants pursuant to the conversion of the Special Warrants issued December 28, 2018.