FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1. Name and Address of Company

1.1 Name and Address of Company

CHAMPIGNON BRANDS INC.
Suite 605, 130 Brew Street
Port Moody, British Columbia
V3H 0E3

1.2 Executive Officer

Stephen Brohman
Chief Financial Officer
604 525-9409

Item 2. Details of Acquisition

2.1 Nature of Business Acquired

Champignon Brands Inc. (the "Company") completed its acquisition of all of the issued and outstanding shares of Tassili Life Sciences Corp. ("TLS") in accordance with the terms of a securities purchase agreement (the "Definitive Agreement") entered into with TLS and the selling securities holders of TLS (the "Vendors").

TLS, in partnership with a multidisciplinary teams of scientists and physicians at the University of Miami ("U of M"), is working to develop effective psilocybin-based therapeutics for the treatment of mild traumatic brain injuries ("mTBI") and/or PTSD.

Under a collaborative research agreement with the U of M's Miller School of Medicine, Tassili will conduct preclinical studies and eventual human clinical trials with the objective of demonstrating safety and efficacy of the combination of psilocybin and CBD in treating mTBI with PTSD or standalone PTSD. Tassili has filed four provisional patent applications, one of which relates to its ongoing study with U of M.

2.2 Date of Acquisition

March 30, 2020

2.3 Consideration

In consideration for the acquisition of all of the issued and outstanding shares of TLS, the Company issued 16,000,001 common shares to the Vendors at a deemed price of $0.28 per share, being the discounted closing price of the common shares of the Company as of the date prior to announcing the entry into of the Definitive Agreement on March 27, 2020.

2.4 Effect on Financial Position

The Company has absorbed TLS as a wholly-owned subsidiary and will fund continued studies at U of M and maintain its acquired intellectual property.

Other than set forth above, the Company does not presently have any plans or proposals for material changes to the affairs (corporate structure, personnel or management) of the Company, or TLS, that will have an impact on the financial performance and financial position of the Company.

2.5 Prior Valuations

The Company obtained a valuation report and purchase price allocation from RwE Growth Partners, Inc., dated July 6, 2020, in respect of TLS. Using a weighted historical transactional method of valuation, the report concluded that the fair market value of TLS, at the time of its acquisition by the Company, was $4,900,000.

2.6 Parties to Transaction

The acquisition was not with an informed person, associate, or affiliate of the Company.

2.6 Date of Report

July 21, 2020.

Item 3. Financial Statements

The audited financial statements of TLS for the fiscal year ended December 31, 2019 and the period from Incorporation on March 13, 2018 to December 31, 2018, are included in this Business Acquisition Report.

TLS has not obtained the consent of the auditors to include the audit report thereon in this Business Acquisition Report.

TASSILI LIFE SCIENCES CORP.
(formerly Keda Technologies Corp.)

ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD FROM MARCH 20, 2018 (DATE OF INCORPORATION) TO DECEMBER 31, 2018 AND THE YEAR ENDED DECEMBER 31, 2019

(In Canadian Dollars)

UNIT# 168
4300 NORTH FRASER WAY
BURNABY, BC, V5J 5J8

T: **604.318.5465**
F: **778.375.4567**

Adam Kim
ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Tassili Life Sciences Corp. (formerly Keda Technologies Corp.)

Opinion
I have audited the financial statements of Tassili Life Sciences Corp. (formerly Keda Technologies Corp.) (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the year ended December 31, 2019 and for period from the date of incorporation March 20, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flow for the year ended December 31, 2019 and for period from the date of incorporation March 20, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards (IFRSs).

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

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $25,927 during the year ended December 31, 2019 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $26,027 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements
My objectives are to obtain reasonable assurance about whether the 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 my 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the 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 my 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 I conclude that a material uncertainty exists, I are required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Adam Kim, CPA, CA.

“Adam Sung Kim Ltd.”
Chartered Professional Accountant

Unit# 168 – 4300 North Fraser Way
Burnaby, BC, Canada V5J 5J8
June 23, 2020

TASSILI LIFE SCIENCES CORP. (FORMERLY KEDA TECHNOLOGIES CORP.)
Statements of Financial Position
(Expressed in Canadian dollars)

As at		December 31, 2019		December 31, 2018
Assets				
Current assets				
Cash	**$**	**3,378**	$	-
Sales tax receivable		**17**		-
	$	**3,395**	**$**	**-**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**8,419**	$	-
		8,419		**-**
Shareholders' equity (deficiency)				
Share capital *(note 4)*		**18,920**		100
Contributed surplus *(note 4)*		**2,083**		-
Accumulated deficit		**(26,027)**		(100)
		(5,024)		-
	$	**3,395**	$	-

Nature and continuance of operations *(note 1)*
Subsequent events *(note 10)*

Approved and authorized for issue on behalf of the Board of Directors on June 23, 2020

"Gareth Birdsall"
Director

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

TASSILI LIFE SCIENCES CORP. (FORMERLY KEDA TECHNOLOGIES CORP.)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		For the year ended December 31, 2019		For the period from March 20, 2018 (date of incorporation) to December 31, 2018
Expenses				
Consulting fees (Note 5)	$	8,420	**$**	-
Foreign exchange gain		(77)		-
General and administrative		1,527		100
Professional fees		13,974		-
Share-based payments (Note 5)		2,083		-
Net loss and comprehensive loss for the period	**$**	**(25,927)**	**$**	(100)
Net loss per share				
Loss per share, basic and diluted	**$**	**0.00**	$	0.00
Weighted average shares outstanding, basic and diluted		**10,228,493**		10,000,000

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

TASSILI LIFE SCIENCES CORP. (FORMERLY KEDA TECHNOLOGIES CORP.)
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of Common Shares		Share Capital		Contributed Surplus		Accumulated Deficit		Total
Balance, January 1, 2019	10,000,000	$	100	$	-	$	(100)	$	-
Common shares issued	400,000		10,400		-		-		10,400
Share-based payments	-		-		2,083		-		2,083
Issuance of shares for services	320,000		8,420		-		-		8,420
Net loss for the year	-		-		-		(25,927)		(25,927)
Balance, December 31, 2019	**10,720,000**	**$**	**18,920**	**$**	**2,083**	**$**	**(26,027)**	**$**	**(5,024)**

	Number of Common Shares		Share Capital		Contributed Surplus		Deficit		Total
Balance, March 20, 2018 (date of incorporation)	-	$	-	$	-	$	-	$	-
Common shares issued	10,000,000		100		-		-	$	100
Net loss for the period	-		-		-		(100)	$	(100)
Balance, December 31, 2018	**10,000,000**	**$**	**100**	**$**	**-**	**$**	**(100)**	**$**	**-**

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

TASSILI LIFE SCIENCES CORP. (FORMERLY KEDA TECHNOLOGIES CORP.)
Statements of Cash Flows
(Expressed in Canadian dollars)

		For the year ended December 31, 2019		For the period from March 20, 2018 (date of incorporation) to December 31, 2018
Cash flow used in operating activities				
Net loss for the period	**$**	**(25,927)**	$	(100)
Add items not involving cash				
Share-based payments		2,083		-
Shares issued for consulting fees		8,420		-
Change in non-cash working capital				
Sales tax receivable		(17)		-
Accounts payable and accrued liabilities		8,419		-
		(7,022)		(100)
Cash flow provided by financing activities				
Issuance of common shares for cash		10,400		100
		10,400		100
Increase in cash		**3,378**		-
Cash, beginning of period		**-**		-
Cash, ending of period	**$**	**3,378**	$	-

Supplemental Cash Flow Information *(note 9)*

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

1. Nature of Operations and Continuance of Operations

Tassili Life Science Corp. (formerly Keda Technologies Corp.) (the "Company") was incorporated under the *Canada Business Corporations Act* on March 20, 2018. Effective August 9, 2018, the Company changed its name from "Keda Technologies Corp." to "Tassili Life Science Corp.". The Company's registered office is located at 200-366 Bay St., Toronto, Ontario M5H 4B2. The Company's current principal business activity is research and development of therapeutic treatments using psychedelic substances with an initial focus on Psilocybin.

At December 31, 2019, the Company had not yet achieved profitable operations, has accumulated losses of $26,027 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these financial statements.

2. Basis of Presentation

(a) Statement of compliance

These annual financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The accounting policies set out below have been applied consistently to all periods presented.

(b) Basis of presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as detailed in the Company's accounting policies.

(c) Functional and presentation currency

The Company's functional currency, as determined by management, is the Canadian dollar. These financial statements are presented in Canadian dollars.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. Basis of Presentation (continued)

Management has applied significant estimates and assumptions related to the following:

Fair value of stock options

Management uses the Black-Scholes option-pricing model to calculate the fair value of stock options. Use of this method requires management to make assumptions and estimates about the expected life of options, the risk free rate, and the volatility of the Company's share price.

3. Significant Accounting Policies

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying financial statements are set out below:

<u>Research and development</u>

Research costs are expensed in the year incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are 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 to use or sell the asset. Other development expenditures will be expensed as incurred. No development costs have been capitalized to date.

<u>Impairment of non-financial assets</u>

Intangible assets with a finite useful life are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

<u>Financial instruments</u>

Effective March 20, 2018 (date of incorporation), the Company has adopted IFRS 9 Financial Instruments, replacing existing standards and interpretations, including IAS 39 Financial Instruments: Recognition and Measurement.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVOCI)

The classification under IFRS9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cashflows and for which those cashflows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at March 20, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the statements of net loss and comprehensive loss. Income arising in the form of interest, dividends, or similar, is recognized through the statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

Derecognition

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the statements of net loss and comprehensive loss.

Financial liabilities – The Corporation derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the statements of net loss and comprehensive loss.

Loss per common share, basic and diluted

Basic loss per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Stock options have been excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

3. Significant Accounting Policies (Continued)

Income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity (deficiency), in which case the income tax is also recognized directly in shareholders' equity (deficiency).

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered.

When applicable, deferred income tax assets and liabilities are presented as non-current.

share-based compensation and issuance of stock for non-cash consideration

The Company records share-based compensation related to employee stock options granted using the estimated fair value of the options at the date of grant. The estimated fair value is expensed as employee benefits over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related services and non-market performance conditions at the vesting date. The corresponding charge is to contributed surplus. Any consideration paid on the exercise of stock options removed from contributed surplus and is credited to common shares.

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model. This model requires the Company to make estimates and assumptions including, among other things, estimates regarding the length of time an employee will retain vested stock options before exercising them, the estimated volatility of the Company's common share price and the number of options that will be forfeited prior to vesting. Changes in these estimates and assumptions can materially affect the determination of the fair value of share-based compensation and consequently, the related amount recognized in the Company's statements of loss and comprehensive loss.

For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of goods and services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instrument granted. Transactions measured by reference to the fair value of the equity instrument granted have their fair values re-measured each vesting and reporting date until fully vested.

3. Significant Accounting Policies (Continued)

Adoption of new accounting standards

IFRS 16 *Leases* was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company applied the standard from its mandatory adoption date of January 1, 2019. Management determined the standard had no impact on the financial statements of the Company as the Company did not have any leases as of the adoption date.

4. Shareholders' Equity

Authorized share capital

The Company is authorized to issue an unlimited number of common shares with no par value.

Outstanding share capital

Year ended December 31, 2019

1. On July 15, 2019 and August 1, 2019, the Company completed non-brokered financings through the issuance of 400,000 common shares valued at $0.02 USD per share ($0.026 CAD) for gross proceeds of $10,400.

2. During the year ended December 31, 2019, 320,000 consulting shares valued with a fair value of $8,420 (CAD $0.026 per share) were issued to an Officer of the Company for consulting services.

Period from March 20, 2018 (date of incorporation) to December 31, 2018:

3. On March 20, 2018, the Company issued 10,000,000 common shares for gross proceeds of $100.

Incentive stock options

The Company has share-based compensation arrangements to encourage ownership of the Company's common shares by its Officers, Directors, employees and certain non-employees. The maximum number of common shares granted, vesting period and contractual life of the options under these arrangements shall be determined from time to time by the Board. The exercise price for each option shall be determined by the Board based on the fair market value of the Company's common shares on the date of grant, as estimated using the Black-Scholes option-pricing model.

The following table summarizes the Company's stock option activity for the periods indicated:

	Number of options	Weighted average exercise price
Outstanding, March 20, 2018 (date of incorporation) and December 31, 2018	-	-
Granted	250,000	0.15
Outstanding, December 31, 2019	**250,000**	**0.15**

During the year ended December 31, 2019, 250,000 options were granted, with vesting periods ranging from immediate vesting to 36 months with a total fair value of $3,686. The Company recognized $2,083 (2018 - Nil) of expense related to vested stock options for the year ended December 31, 2019.

4. Shareholders' Equity (Continued)

Incentive stock options (continued)

The fair value of each group of stock options on the date granted was estimated using the Black-Scholes option-pricing model. The following assumptions were used:

	2019	2018
Volatility	**110%-117%**	N/A
Risk-free interest rate	**1.52% to 1.57%**	N/A
Expected life (years)	**5 years**	N/A
Dividend yield	**Nil**	N/A
Forfeiture rate	**-**	N/A
Share price	**$0.026**	N/A

The following table presents information related to stock options outstanding and exercisable as December 31, 2019:

Weighted average exercise price	**Outstanding**	**Exercisable**	**Weighted average remaining life (years)**
$0.15	250,000	112,500	4.85
Balance as at December 31, 2019	**250,000**	**112,500**	**4.85**

5. Related Party Transactions

Key management includes Directors and Officers of the Company. Compensation awarded to key management was comprised of the following for years ended:

	For the year ended December 31, 2019	For the period from March 20, 2018 (date of incorporation) to December 31, 2018
Consulting fees	**$** 8,420	$ -
Share-based payments	2,083	-
Total	**$ 10,503**	$ -

6. Capital Management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as net equity and debt, comprised of issued common shares, contributed surplus and accumulated deficit. The Company seeks to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures. Since inception, the Company has primarily financed its liquidity needs through private placements of common shares.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal period. The Company is not subject to externally imposed capital requirements.

7. Financial Instruments and Risk Management

Financial Instruments

Accounts payable and accrued liabilities have been classified as financial liabilities at amortised cost.

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data

The Company's cash has been valued using Level 1 inputs.

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company's cash are held at a major Canadian bank. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

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

(b) Interest rate risk

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

8. Income Taxes

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

		2019		2018
Loss before income taxes	**$**	**(25,927)**	$	(100)
Combined federal and provincial tax rate		**26.5%**		26.5%
Expected income tax recovery		**(6,871)**		(27)
Permanent differences		**2,783**		-
Tax assets not recognized		**4,088**		27
Income tax expense (recovery)	**$**	**-**	$	-

Details of unrecognized deferred tax assets are as follows:

	2019	2018
Non-capital losses carried forward	**4,115**	27
Less: unrecognized deferred tax assets	**(4,115)**	(27)
Total	**-**	-

As at December 31, 2019, the Company had approximately $15,000 of non-capital losses available, which will expire in 2038 and 2039 and may be applied against future taxable income.

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

9. Supplemental Cash Flow Information

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows.

During the year ended December 31, 2019, the Company issued 320,000 common shares valued at $8,420 to an officer of the Company in exchange for services.

10. Subsequent Events

Subsequent to the year ended December 31, 2019:

a) The Company entered into a letter of intent ("LOI"), with Elephant Hill Capital Inc. ("Elephant Hill") and Artos Pharma Inc. The LOI was subsequently terminated.

b) The Company entered into a collaborative research agreement (the "Agreement") with the University of Miami (the "University"). The University and the Company agreed to collaborate in connection with various pre-clinical research initiatives in the fields of treatment of post traumatic stress disorder and/or traumatic brain injury with post traumatic stress disorder. The agreement shall commence upon the effective date of January 1, 2020 and terminate on April 30, 2021.

9. Subsequent Events (Continued)

c) The Company completed a private placement financing of convertible debentures, raising $500,000 (the "Convertible Debentures). The Convertible Debentures mature 12 months from the closing date and are non interest bearing for six months from the closing date, and subsequently bears interest at 8% per annum, payable at maturity. The Convertible Debentures are convertible into common shares on the earlier of:

   i) Completion of a going public transaction involving Elephant Hill at a deemed price per Unit equal to a 10% discount of a deemed going public transaction price;
   ii) Maturity date, at a price of $0.20 per common share; and,
   iii) Termination of the Agreement involving Elephant Hill at a price of $0.20 per common share.

   All of Convertible Debentures were converted on termination of the Agreement and the Company issued 2,500,000 common shares of the Company.

d) The Company settled debts of $2,732,981 through the issuance of 27,329,805 common shares of the Company.

e) The Company issued 127,116 shares of the Company as consideration for the cancellation of all of the outstanding stock options of the Company.

f) The shareholders of the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Champignon Brands Inc. ("Champignon"), whereby Champignon acquired all of the 40,676,921 issued and outstanding shares of the Company in exchange for 16,000,001 common shares of Champignon.

10. Global Pandemic

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020.