

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Canntab Therapeutics Limited (the "Issuer").

Trading Symbol: PILL

SCHEDULE A: FINANCIAL STATEMENTS

Please see Schedule "A" attached.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Related party transactions

See Note 11 on page 13 of Schedule "A" for related party transaction disclosure.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period:

See Note 10 on page 11 of attached Schedule "A" for a description of authorized share capital, including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions;

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) See Note 10 on page 11 and 12 of attached Schedule "A" for a description of authorized share capital, including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions;

(b) See Note 10 on page 11 and 12 attached Schedule "A" for a number and recorded value for shares issued and outstanding;

- (c) See Note 10 on page 11 and 12 of attached Schedule "A" for description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
 - (d) There are no shares subject to escrow of pooling agreements or any other restriction on transfer.
4. List the names of the directors and officers, with an indication of the positions held, as at the date this report is signed and filed.

Larry Latowsky – Chief Executive Officer;
Richard Goldstein – Director and Chief Financial Officer
Jeff Renwick - Director;
Vitor Fonseca – Director; and
Barry Polisuk - Director.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

The Interim MD&A is attached as Schedule "B".

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: October 30, 2020.

Richard Goldstein

Signed "Richard Goldstein"
Signature

Chief Financial Officer

Issuer Details Name of Issuer CANNTAB THERAPEUTICS LIMITED	For Quarter Ended: August 31, 2020	Date of Report YY/MM/DD 2020/10/30
Issuer Address 1 Adelaide Street East, Suite 801		
City/Province/Postal Code Toronto, ON M5C 2V9	Issuer Fax No. Not Applicable	Issuer Telephone No. (416) 957-6303
Contact Name Richard Goldstein	Contact Position Chief Financial Officer	Contact Telephone No. (416) 957-6303
Contact Email Address richard@firstrepubliccapital.com	Web Site Address www.canntab.ca	

Schedule “A”
Financial Statements.

Please see attached.



CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's external auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31, 2020 AND MAY 31, 2020
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>August 31</u> <u>2020</u>	<u>May 31</u> <u>2020</u>
ASSETS		
Current:		
Cash and cash equivalents (Note 5)	\$ 1,058,809	\$ 2,090,438
Accounts receivable (Note 6)	225,479	161,339
Inventories (Note 7)	1,281,247	905,765
Prepaid expenses and deposits (Note 8)	239,226	160,728
Advance to supplier	166,667	166,667
	<u>2,971,428</u>	<u>3,484,937</u>
Long term:		
Plant and equipment	1,104,514	1,095,820
Right-of-use assets	630,217	676,646
Intangible assets	261,789	251,711
	<u>\$ 4,967,948</u>	<u>\$ 5,509,114</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 9)	\$ 1,195,225	\$ 1,253,953
Current portion of lease liabilities	170,650	161,975
	<u>1,365,875</u>	<u>1,415,928</u>
Long term:		
Lease liabilities	493,612	524,444
Term loan payable	40,000	40,000
	<u>1,899,487</u>	<u>1,980,372</u>
SHAREHOLDERS' EQUITY		
Common shares (Note 10)	10,011,370	9,843,783
Contributed surplus	2,548,570	2,275,446
Accumulated deficit	(9,491,479)	(8,590,487)
	<u>3,068,461</u>	<u>3,528,742</u>
	<u>\$ 4,967,948</u>	<u>\$ 5,509,114</u>

Going concern (Note 2(c))

Subsequent events (Note 13)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

Approved on behalf of the Board:

"Richard Goldstein" Director

"Vitor Fonseca" Director

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF NET LOSS AND
COMPREHENSIVE LOSS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>2020</u>	<u>2019</u>
Revenue		
License fees	<u>\$ -</u>	<u>\$ 133,334</u>
Expenses		
Consulting fees	207,597	115,521
Employee compensation and benefits	162,200	203,076
Professional fees	58,069	46,893
General and administrative	46,822	77,364
Marketing and regulatory expenses	45,863	25,697
Research and development	12,996	31,453
Share based compensation	283,950	24,673
Depreciation of plant and equipment and right-of-use assets	78,433	48,309
Amortization of intangible assets	8,138	4,179
	<u>904,068</u>	<u>577,165</u>
Loss from operations	(904,068)	(443,831)
Other income		
Interest income	3,076	3,954
Net loss and comprehensive loss	<u>\$ (900,992)</u>	<u>\$ (439,877)</u>
Basic and diluted loss per share (Note 10(e))	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY
PERIOD FROM JUNE 1, 2019 TO AUGUST 31, 2020
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>Note</u>	<u>Common shares</u> <u>Number</u>	<u>Amount</u>	<u>Contributed</u> <u>surplus</u>	<u>Accumulated</u> <u>deficit</u>	<u>Total</u>
As at May 31, 2019		25,306,601	\$ 6,554,281	\$ 1,696,819	\$ (5,983,243)	\$ 2,267,857
Net loss and comprehensive loss		-	-	-	(439,877)	(439,877)
Share based compensation		-	-	24,673	-	24,673
As at August 31, 2019		25,306,601	6,554,281	1,721,492	(6,423,120)	1,852,653
Net loss and comprehensive loss		-	-	-	(2,167,367)	(2,167,367)
Share based compensation		-	-	390,078	-	390,078
Private placement		7,287,000	3,589,420	54,080	-	3,643,500
Shares issued in exchange for services		164,000	82,000	-	-	82,000
Share issue costs		-	(272,122)	-	-	(272,122)
Broker warrants		-	(109,796)	109,796	-	-
As at May 31, 2020		32,757,601	9,843,783	2,275,446	(8,590,487)	3,528,742
Net loss and comprehensive loss		-	-	-	(900,992)	(900,992)
Share based compensation		-	-	283,950	-	283,950
Exercise of broker warrants	10(a)	109,523	65,587	(10,826)	-	54,761
Deposit on purchase of equipment from CMAX	10(c)	200,000	102,000	-	-	102,000
As at August 31, 2020		<u>33,067,124</u>	<u>\$ 10,011,370</u>	<u>\$ 2,548,570</u>	<u>\$ (9,491,479)</u>	<u>\$ 3,068,461</u>

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CANNTAB THERAPEUTICS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>2020</u>	<u>2019</u>
Operating activities		
Net loss and comprehensive loss	\$ (900,992)	\$ (439,877)
Add (deduct) items not affecting cash:		
Share based compensation	283,950	24,673
Depreciation of plant and equipment and right-of-use assets	78,433	48,309
Amortization of contract liability	-	(133,334)
Amortization of intangible assets	8,138	4,179
	<u>(530,471)</u>	<u>(496,050)</u>
Change in non-cash working capital items		
Accounts receivable	(64,140)	(82,524)
Inventories	(330,887)	-
Prepaid expenses and deposits	23,502	31,144
Accounts payable and accrued liabilities	(68,728)	124,714
	<u>(970,724)</u>	<u>(422,716)</u>
Investing activities		
Purchase of intangible assets	(18,216)	(27,463)
Purchase of plant and equipment	(85,293)	(504,887)
Short term investment	-	1,000,000
	<u>(103,509)</u>	<u>467,650</u>
Financing activities		
Proceeds on exercise of broker compensation warrants	54,761	-
Repayment of lease liabilities	(12,157)	(21,348)
	<u>42,604</u>	<u>(21,348)</u>
Change in cash and cash equivalents	(1,031,629)	23,586
Cash and cash equivalents, beginning of period	2,090,438	413,978
Cash and cash equivalents, end of period	<u>\$ 1,058,809</u>	<u>\$ 437,564</u>
Non-cash transaction:		
Shares issued as deposit on CMAX asset purchase (Note 8(a))	<u>\$ 102,000</u>	<u>\$ -</u>

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS

(a) Nature of operations

Canntab Therapeutics Limited ("Canntab" or the "Company") was incorporated on April 20, 2016 under the Canada Business Corporations Act. The Company, with its head office located at 223 Riviera Drive, Markham, Ontario, L3R 5J6, is a Canadian biopharmaceutical company focused on the manufacturing and distribution of a suite of hard pill cannabinoid formulations in multiple doses and timed-release combinations. Canntab's proprietary hard pill cannabinoid formulations provide doctors, patients and consumers with medical grade solutions which incorporate all the features one would expect from any prescription or over the counter medication sold in Canadian pharmacies, including once a day and extended release formulations, both providing an accurate dose and improved shelf stability.

Canntab holds a Cannabis Standard Processing and Sales for Medical Purposes Licence, a Cannabis Research Licence and an Industrial Hemp Licence from Health Canada.

Canntab trades on the Canadian Securities Exchange under the symbol "PILL", the OTCQX Best Market under the symbol "CTABF" and the Frankfurt Stock Exchange under the symbol "TBF1"

(b) COVID-19 pandemic

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business, resulting in a global economic slowdown. Equity markets have experienced significant volatility and weakness and the governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The ultimate duration and magnitude of the impact and the efficacy of government and Bank of Canada interventions on the economy and the financial effect on the Company is not known at this time. The extent of such impact will depend on future developments, which are highly uncertain and not in the Company's control, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken to address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS, CONTINUED

The Company has been deemed an “essential service” by the Ontario government, and therefore is permitted to continue full operations. In response to COVID-19, the Company has implemented working practices to address potential impacts to its operations, employees and customers, and will take further measures in the future if and as required. At present, the Company has not identified any material continuity-risks specifically associated with COVID-19.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), and accordingly do not include all the information required for full annual financial statements by International Financial Reporting Standards (“IFRS”). They have been prepared using the same accounting policies that were described in note 3 to the Company’s annual consolidated financial statements for the year ended May 31, 2020 which were prepared in accordance with IFRS as issued by the IASB.

The unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on October 30, 2020.

(b) Basis of presentation

The unaudited interim condensed consolidated financial statements are prepared on a going concern basis under the historical cost convention. Unless otherwise stated, the unaudited interim condensed consolidated financial statements are presented in Canadian dollars. That is the Company's functional and presentation currency as (i) the Company is based in Canada, (ii) the majority of its operating costs are denominated in Canadian dollars, and (iii) all its financing is obtained through Canadian dollar private placements.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
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2. BASIS OF PRESENTATION, CONTINUED

(c) Going concern

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future, convert its sales orders into revenue, realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the unaudited interim condensed consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these unaudited interim condensed consolidated financial statements. Such adjustments could be material.

As at August 31, 2020, the Company had no source of operating cash flow and had an accumulated deficit of \$9,491,479 (May 31, 2020 - \$8,590,487). Working capital as at August 31, 2020 was \$1,605,553 compared to \$2,069,009 as at May 31, 2020. Net loss and comprehensive loss for the three month period ended August 31, 2020 was \$900,992 (2019 - \$439,877), and the Company has no current sources of operating cash flow. Other than some initial licensing fees received, operations since inception have been funded from the issuance of share capital and exercise of stock options and warrants.

As evidenced by its accumulated deficit, the Company has, during its start-up phase, made significant capital and operational investments from the funds raised from its initial seed capital, the go-public process and the closing of the private placement in March, 2020. These funds have been used to build out the legal and operating infrastructure, the intellectual property portfolio and to obtain the production and sales licences necessary to capitalize on the opportunities within the cannabis marketplace in Canada and internationally.

Though the Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future, there is uncertainty as to how long these funds will last. The Company believes that, based on its revenue forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, if required, it could continue as a going concern for the foreseeable future. To achieve that, the Company will need to (i) develop its marketing opportunities into revenue generating transactions, and (ii) arrange future financing that will largely depend upon prevailing capital market and the continued support of its shareholder base. Management is actively working on the delivery of its products on an existing purchase order which will generate the Company's first sales revenue, but timing is still uncertain. Management is also reviewing financing options to raise the funds required to continue its strategy of expanding its product line, manufacturing facilities, research and development and geographic coverage, but there can be no assurance that management's fund raising plans will be successful. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
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3. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

(a) IFRS 3 "Business Combinations"

This standard has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment is effective for annual periods beginning on or after January 1, 2020. The adoption of this amendment did not have a significant impact on the unaudited interim condensed consolidated financial statements.

(b) IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

These standards have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the unaudited interim condensed consolidated financial statements.

4. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As at the date of authorization of these unaudited interim condensed consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective:

(a) IFRS 16, "Leases"

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. At this time, the Company has not received rent concessions related to COVID-19 and therefore, this amendment is not expected to have a significant impact on the unaudited interim condensed consolidated financial statements.

(b) IAS 16 "Property, Plant and Equipment"

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and requires certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the unaudited interim condensed consolidated financial statements.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
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4. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, continued

(c) IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

This standard has been amended to clarify the classification of liabilities as current or non-current. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

(d) IAS 37 "Provisions"

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the unaudited interim condensed consolidated financial statements.

(e) IFRS 9 "Financial Instruments"

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

5. CASH AND CASH EQUIVALENTS

	August 31 2020	May 31 2020
Cash	\$ 531,483	\$ 563,112
Guaranteed investment certificates	500,000	1,500,000
Cash in Company lawyer's trust account	27,326	27,326
	\$ 1,058,809	\$ 2,090,438

The cash in the Company lawyer's trust account is unrestricted. The balance as at August 31, 2020 represents proceeds received under a private placement that closed in March, 2020.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
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6. ACCOUNTS RECEIVABLE

	August 31 2020	May 31 2020
HST ITC's recoverable	\$ 183,538	\$ 123,134
Accrued interest receivable	1,497	1,497
Non-trade accounts receivable	40,444	36,708
	<u>\$ 225,479</u>	<u>\$ 161,339</u>

7. INVENTORY

	August 31 2021	May 31 2020
Work-in-progress	\$ 553,972	\$ -
Cannabis oil raw materials	694,501	797,170
Non-cannabis raw materials	32,774	108,595
	<u>\$ 1,281,247</u>	<u>\$ 905,765</u>

The Company started commercial production during the current quarter, but has not yet made any commercial sales as of August 31, 2020. Inventory has been valued as follows:

- (a) raw materials: initial cost on acquisition
- (b) work in progress: raw material cost plus capitalized costs such as direct labor and production overhead. Production overhead includes depreciation of production equipment, maintenance of production buildings and equipment and production management. Total costs capitalized to inventory in the period totalled \$120,815, including \$51,030 of direct labor and \$44,595 of depreciation.

8. ASSET PURCHASE AGREEMENTS

In August, 2020, the Company entered into binding asset purchase agreements to acquire certain cannabis-processing equipment and leasehold improvements as detailed below:

(a) CMAX asset purchase

The Company agreed to a binding asset purchase agreement to acquire certain cannabis-processing equipment and leasehold improvements located at its 223 Riviera Drive, Markham, Ontario facility from CMAX Technologies Inc. ("CMAX"), a related party to the Company, for a purchase price of \$1,018,000. The purchase price was based upon third-party valuations, and will be satisfied through the issuance of 1,996,078 common shares of the Company at a deemed price of \$0.51 per share. On August 19, 2020, 200,000 common shares were issued to CMAX as a deposit on this transaction (*see note 10(c)*), and have been included in prepaid expenses and deposits.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

8. ASSET PURCHASE AGREEMENTS, CONTINUED

The CMAX purchase is considered a related party transaction as three of the Company's four directors also officers, directors and/or shareholders of CMAX. The CMAX purchase has been approved by the independent director of the Company. The closing of the acquisition occurred on October 19, 2020 through the issuance of a further 1,796,078 common shares of the Company.

(b) Pharmagenenerics asset purchase

In August, 2020, the Company entered into a binding asset purchase agreement with Pharmagenenerics Solutions Inc. ("Pharma") to purchase cannabis-processing equipment owned by Pharma for a purchase price of \$300,000. The purchase price of the Pharma assets will be satisfied through the issuance of 588,235 common shares of the Company at a deemed price of \$0.51 per share.

The Pharma purchase is considered a related party transaction as the sole officer, director and shareholder of Pharma is the Chief Scientific Officer of the Company. The closing of the acquisition occurred on October 19, 2020 through the issuance of 300,000 common shares of the Company.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>August 31 2020</u>	<u>May 31 2020</u>
Trade accounts payable	\$ 821,826	\$ 942,434
Accrued liabilities	307,970	256,090
Accounts payable - related company	65,429	55,429
	<u>\$ 1,195,225</u>	<u>\$ 1,253,953</u>

Certain operating costs of the Company were paid on its behalf by CMAX Technologies Inc., a company related by common ownership and management (*see note 11(c)*).

10. SHARE CAPITAL

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the unaudited interim condensed consolidated statements of changes in shareholders' equity for the period from June 1, 2019 to August 31, 2020. Descriptions of the changes in shareholders' equity are as follows:

(a) Exercise of broker compensation warrants

In July, 2020, 109,523 broker compensation warrants were exercised for cash proceeds of \$54,761, resulting in the issuance of 109,523 common shares.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

10 SHARE CAPITAL, CONTINUED

(b) Stock options

- (i) On June 8, 2020, the Company granted 150,000 options to certain employees and consultants. Each option entitles the holder thereof to purchase one common share of the Company at a price of \$1.00 per share expiring in 2 years and vested immediately.

The fair value of these stock options was calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 0.32%, (2) expected volatility of 116%, (3) expected life of 2 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was \$0.58.

- (ii) On July 13, 2020, the Company granted 275,000 options to certain employees and a director. Each option entitles the holder thereof to purchase one common share of the Company at a price of \$0.80 per share expiring in 2 years and vested immediately.

The fair value of these stock options was calculated using the Black-Scholes option pricing model. Under the assumptions of: (1) risk free interest rate of 0.28%, (2) expected volatility of 117%, (3) expected life of 2 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was \$0.45.

(c) CMAX asset purchase

On August 19, 2020, 200,000 common shares were issued to CMAX at a deemed price of \$0.51 per share as a deposit on the asset purchase as described in note 8(a).

(d) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three month period ended August 31, 2020 was 32,838,450 (2019 - 25,306,601).

(e) Share based compensation

Total share based compensation of \$283,950 was recognized during the three month period ended August 31, 2020 (August 31, 2019 - \$24,673) based on currently issued and previously granted options and special warrants expected to vest in the reporting period.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

11. RELATED PARTY TRANSACTIONS

During the three month periods ended August 31, 2020 and 2019, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to or controlled by directors, as follows:

- (a) Under the terms of a consulting contract effective January, 2017, fees of \$30,000 were recorded during the three month period ended August 31, 2020 (2019 - \$30,000) by an entity controlled by an individual who is both an officer and director of the Company for his services as CFO.

The Company recognized a car allowance credited to this individual of \$2,400 during the three month period ended August 31, 2020 (2019 - \$2,400).

- (b) Under the terms of a consulting contract effective January, 2017, fees of \$37,500 were recorded during the three month period ended August 31, 2020 (2019 - \$Nil) by an entity controlled by an individual who is both an officer and director of the Company for his services as CEO. Salary paid to this individual during the three month period ended August 31, 2020 totalled \$Nil (2019 - \$37,500).

The Company recognized a car allowance credited to this individual of \$2,400 during the three month period ended August 31, 2020 (2019 - \$2,400).

- (c) The Company is related to CMAX Technologies Inc. by virtue of common ownership and management. The Company entered into a lease renewal agreement with CMAX in fiscal 2020 under which it is obligated to make monthly rental payments of \$10,000 until expiry on December 31, 2022. During the three month period ended August 31, 2020, the Company made payments of \$30,000 (2019 - \$30,000) which were applied against the operating lease now capitalized under IFRS 16.

- (d) For the three month period ended August 31, 2020, compensation to other officers and directors, other than separately disclosed above, includes:
- share based compensation of \$44,980 (2019 - \$Nil)
 - consulting fees and salary of \$71,500 (2019 - \$Nil)

- (e) Accounts payable and accrued liabilities as at August 31, 2020 includes \$118,526 (May 31, 2020 - \$106,490) with respect to balances owing to related parties for the transactions disclosed above.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

Fair value of financial instruments

The fair values of cash and cash equivalents, short term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term or demand nature of these balances. The Company's financial instruments are exposed to certain financial risks, as summarized below.

CANNTAB THERAPEUTICS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Stated in \$CAD)
(Unaudited - Prepared by Management)

12. FINANCIAL INSTRUMENTS AND RISK FACTORS, continued

(a) Classification of financial instruments

The classification and measurement of the financial assets and liabilities, as well as their carrying amounts and fair values, are as follows:

Assets/liabilities	Category	Measurement	August 31, 2020		May 31, 2020	
			Carrying amount	Fair value	Carrying amount	Fair value
			\$	\$	\$	\$
Cash and cash equivalents	FVTPL	Amortized cost	1,058,809	1,058,809	2,090,438	2,090,438
Accounts receivable	Loans and receivables	Amortized cost	225,479	225,479	161,339	161,339
Advance to supplier	Loans and receivables	Amortized cost	166,667	166,667	166,667	166,667
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	1,195,225	1,195,225	1,253,953	1,253,953
Term loan payable	Financial liabilities	Amortized cost	40,000	40,000	40,000	40,000

(b) Credit risk

The Company's credit risk is attributable to its accounts receivable (comprised mostly of refundable HST ITC's) and the advance to a supplier. Management believes that credit risk with respect to (i) accounts receivable is minimal, as HST refunds are now received within one month of filing, and (ii) the advance to a supplier is minimal as the amount is secured and is expected to offset against future purchases of hemp.

Cash and cash equivalents consists of bank deposits, guaranteed investment certificates and unrestricted funds held in the Company lawyer's trust account. All of the above have been invested with a Canadian chartered bank, from which management believes the risk of loss to be remote. The Company has no material concentration of credit risk arising from operations.

(c) Liquidity risk

The business of the Company necessitates the management of liquidity risk. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due in the short-term due to a shortfall of working capital. The Company's objective is to mitigate short-term liquidity risk by maintaining adequate working capital reserves and its long-term liquidity risk through good relations with external capital markets. The Company closed on a private placement in March, 2020 for net proceeds of \$3,643,500 to continue its strategy of expanding its manufacturing facilities, its research and development and geographic coverage. As at August 31, 2020, the Company had working capital of \$1,605,553 (May 31, 2020 - \$2,069,009), and therefore believes its exposure to liquidity risk is limited.

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13. SUBSEQUENT EVENTS

- (a) On September 21, 2020, the Company announced that, pursuant to a filing made in March 2017, the U.S. Patent and Trademark Office has issued U.S. Patent No. 10,772,837 to Canntab, titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations. The term of the patent expires on March 15, 2038. This is the first patent that has been issued out of the 13 that the Company has applied for. The patent granted is for Canntab's bi-layer or multi-layer tablets consisting of both Instant Release ("IR") and Extended Release ("XR") formulations with THC, CBD and a variety of terpenes and other cannabinoids found in full spectrum cannabis and hemp oil resin.
- (b) On October 19, 2020, the Company closed the two asset purchases as disclosed in note 8 through the issuance of 2,096,078 common shares of the Company.
- (c) On October 26, 2020, the Company announced the impending launch of its suite of hard pill cannabinoid formulations in Australia with its partner CANN Global Ltd. (ASX: CGB) ("CANN Global") and participation in Australia's largest cannabis research study.

CANN Global, through its management partnership with Medcan Australia Pty Ltd ("Medcan Australia"), received an import permit and have placed an initial order for Canntab's products. Canntab will immediately apply for an export permit with Health Canada, which will allow it to fulfill this purchase order. The Company intends to ship its suite of patented and patent pending products, including THC, CBD and THC/CBD combination hard pill formulations to CANN Global before the end of calendar 2020.

Applied Cannabis Research ("ACR"), a leading Australian contract research organization focused exclusively on medical cannabis treatments, has launched Australia's largest observational study ever undertaken for medical cannabis. Canntab, through the products it supplies to CANN Global Ltd., which is a direct participant in the study, will be participating in this clinical collaboration with major Australian clinics and hospitals to complete the Cannabinoid Medicine Observational Study ("CMOS") that will collect data from 20,000 patients nationwide over 5 years. CMOS aims to assess the safety and efficacy of medicinal cannabis products for a range of refractory conditions including fibromyalgia, chronic pain syndromes, PTSD, epilepsy and other mental health and neurological conditions using cannabis, including Canntab's Hard Pill Cannabinoid Formulations.

Schedule “A”

Management’s Discussion and Analysis.

Please see attached.



CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2020 AND 2019

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2020 AND 2019



The following management discussion and analysis ("MD&A") of Canntab Therapeutics Limited ("Canntab" or "the Company") provides a review of corporate developments, results of operations and financial position for the three months ended August 31, 2020 and 2019 ("Q1 2021 and "Q1 2020" respectively). This discussion is prepared as of October 30, 2020 and should be read in conjunction with (i) the unaudited interim condensed consolidated financial statements and the accompanying notes for the three months ended August 31, 2020 and 2019, and (ii) both the audited consolidated financial statements and MD&A for the fiscal years ended May 31, 2020 and 2019. Additional information relating to the Company is available on Canntab's SEDAR profile at www.sedar.com and the Company's website at www.canntab.ca. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares, (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision, or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

COMPANY OVERVIEW

Canntab Therapeutics Limited ("Canntab" or the "Company") was incorporated on April 20, 2016 under the Canada Business Corporations Act. The Company, with its head office located at 223 Riviera Drive, Markham, Ontario, L3R 5J6, is a Canadian biopharmaceutical company focused on the manufacturing and distribution of a suite of hard pill cannabinoid formulations in multiple doses and timed-release combinations. Canntab's proprietary hard pill cannabinoid formulations provide doctors, patients and consumers with medical grade solutions which incorporate all the features one would expect from any prescription or over the counter medication sold in Canadian pharmacies, including once a day and extended release formulations, both providing an accurate dose and improved shelf stability.

Canntab trades on the Canadian Securities Exchange under the symbol "PILL", the OTCQX Best Market under the symbol "CTABF" and the Frankfurt Stock Exchange under the symbol "TBF1".

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

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The Extended Release Tablet ("XR" or the "XR Tablet") is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems. These challenges include, but are not limited to, accuracy of dosing, onset times, duration of action, bioavailability, discreetness of consumption, ease of spoilage and the reduction of side effects, and are all directly addressed by the unique formulation of the XR Tablet. The XR Tablet is designed to contain either THC, CBD or a combination of THC/CBD (depending on the composition of the medicine), permitting it to meet the demands of a broader patient base than the current synthetic-THC based pills in the market today.

Intellectual property underpins the value of XR Tablets in the form of four international patent applications already filed. Canntab is rapidly moving toward the commercialization phase by partnering with a best-in-class licensed producer of medicinal cannabis in Canada and gearing up for its first series of pre-clinical trials.

CURRENT HIGHLIGHTS

- ◆ Impending launch of its suite of hard pill cannabinoid formulations in Australia and participation in Australia's largest cannabis research study
- ◆ Closed on related party purchases of cannabis-processing equipment and leasehold improvements totalling \$1,318,000
- ◆ Pursuant to a filing made in March 2017, the U.S. Patent and Trademark Office has issued U.S. Patent No. 10,772,837 to Canntab, titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations, the term of which expires on March 15, 2038.
- ◆ Entered into its first purchase agreement with MediPharm Labs ("MediPharm"), a global leader in pharma quality cannabinoid based products.
- ◆ Appointed Larry Latowsky, former CEO of Katz Group Canada and its flagship holding Rexall Pharmacy Group, as CEO.

RECENT EVENTS

Australian Launch

On October 26, 2020, the Company announced the impending launch of its suite of hard pill cannabinoid formulations in Australia with its partner CANN Global Ltd. (ASX: CGB) ("CANN Global") and participation in Australia's largest cannabis research study.

Applied Cannabis Research ("ACR"), a leading Australian contract research organization focused exclusively on medical cannabis treatments, has launched Australia's largest observational study ever undertaken for medical cannabis. Canntab, through the products it supplies to CANN Global Ltd., which is a direct participant in the study, will be participating in this clinical collaboration with major Australian clinics and hospitals to complete the Cannabinoid Medicine Observational Study ("CMOS") that will collect data from 20,000 patients nationwide over 5 years. CMOS aims to assess the safety and efficacy of medicinal cannabis products for a range of refractory conditions including fibromyalgia, chronic pain syndromes, PTSD, epilepsy and other mental health and neurological conditions using cannabis, including Canntab's hard pill cannabinoid formulations.

CANNTAB THERAPEUTICS LIMITED

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CANN Global, through its management partnership with Medcan Australia Pty Ltd ("Medcan Australia"), received an import permit and have placed an initial order for Canntab's products. Canntab will immediately apply for an export permit with Health Canada, which will allow it to fulfill this purchase order. The Company intends to ship its suite of patented and patent pending products, including THC, CBD and THC/CBD combination hard pill formulations to CANN Global before the end of calendar 2020.

Asset Purchases

On October 19, 2020, the Company closed on a previously announced asset purchase agreement to acquire certain cannabis-processing equipment and leasehold improvements located at its 223 Riviera Drive, Markham, Ontario facility from CMAX Technologies Inc. ("CMAX"), a related party to the Company (as three of the Company's four directors also officers, directors and/or shareholders of CMAX) for a purchase price of \$1,018,000. The purchase price was based upon third-party valuations, and was satisfied through the issuance of 1,996,078 common shares of the Company at a deemed price of \$0.51 per share. On August 19, 2020, 200,000 common shares were issued to CMAX as a deposit on this transaction. The balance of the consideration was paid on October 19, 2020 through the issuance of 1,796,078 common shares of the Company.

Concurrently, the Company closed on a previously announced asset purchase agreement with Pharmagenetics Solutions Inc. ("Pharma") to purchase cannabis-processing equipment owned by Pharma for a purchase price of \$300,000. The Pharma purchase is considered a related party transaction as the sole officer, director and shareholder of Pharma is the Chief Scientific Officer of the Company. The purchase price of the Pharma assets was satisfied through the issuance of 588,235 common shares of the Company at a deemed price of \$0.51 per share on October 19, 2020.

Issuance of US Patent

On September 21, 2020, the Company announced that, pursuant to a filing made in March 2017, the U.S. Patent and Trademark Office has issued U.S. Patent No. 10,772,837 to Canntab, titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations", the term of which expires on March 15, 2038. The Company considers this a major milestone that confirms its proprietary formulations are unique and differentiated from other product offerings in the global marketplace which will support a faster revenue stream as production and distribution begin in the immediate future. The patent is the first patent out of the various other patents that the Company has applied for, and will be leveraged to solidify Canntab's position as the leader in solid dose (hard pill) formulations of medicinal cannabinoids.

The patent granted is for Canntab's bi-layer or multi-layer tablets consisting of both Instant Release ("IR") and Extended Release ("XR") formulations with THC, CBD and a variety of terpenes and other cannabinoids found in full spectrum cannabis and hemp oil resin. The Company believes that its hard pill formulations are superior to all other CBD and THC delivery systems since they are true pharmaceutical grade delivery systems which provide for superior ingredient stability, enhanced bioavailability, and provide customizable and precise dosing. Canntab believes and intends to prove greater bioavailability through a blood level study at a 3rd party Clinical Research Organization ("CRO"). In addition, whether it is for medical, recreational or nutraceutical purposes, Canntab will be able to provide extended release formulations making it the clear delivery choice for doctors, patients or the average consumer.

CANNTAB THERAPEUTICS LIMITED

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Purchase Agreement With MediPharm Labs

On June 2, 2020, Canntab announced that it is beginning production of its instant release tablets and has already entered into its first purchase agreement with MediPharm Labs ("MediPharm"), a global leader in pharma quality cannabinoid based products. The value of which is expected to exceed \$1 million, but will depend on the final concentrations of Canntab's instant release tablets chosen by MediPharm. Orders under the agreement will be composed of a mix of Canntab's proprietary instant release tablets delivering THC, CBD and a combination of THC/CBD in 12 different strengths. MediPharm will purchase and distribute cannabis products on a non-exclusive basis across Canada through licensed provincial dispensaries.

Appointment of Larry Latowsky as CEO

As it pivots from development to manufacturing, marketing and distribution, the Company announced on August 19, 2020 that it had appointed Mr. Latowsky as CEO to lead the Company's commercialization strategy with greater emphasis on distribution channels around the world. He has extensive experience and contacts in the wholesale, retail and direct to consumer pharmaceutical industries, having previously been the President and CEO of Drug Trading Co., and Katz Group Canada, the parent company of Rexall, Pharmaplus, IDA, Guardian, Medicine Shoppe, Herbies, Propharm Technology, and Druggists Corporation (DC Labs). In conjunction with the appointment, Mr. Latowsky was granted 500,000 special warrants to purchase common shares at a price of \$0.60 per share until March 4, 2025.

Health Canada Licenses

Canntab now holds a Cannabis Standard Processing and Sales for Medical Purposes Licence, a Cannabis Research Licence and an Industrial Hemp Licence from Health Canada, and is now pursuing production at its Markham facility.

The Company's facility, located in Markham, Ontario, is designed and fully equipped to accommodate all manufacturing necessary to produce Canntab's pharmaceutical grade cannabis hard pill formulations (solid oral dosage forms), which the Company believes is the future of medical cannabis. The formulations are comprised of various combinations of THC and CBD and will come in dosages of 2.5 mg, 5 mg and 10 mg, in extended release, instant release, and bi-layered solutions. Ongoing research and development into individual cannabinoids is expected to contribute additional formulations and dosage forms for future production.

COVID-19 PANDEMIC

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business, resulting in a global economic slowdown. Equity markets have experienced significant volatility and weakness and the governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

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The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The ultimate duration and magnitude of the impact and the efficacy of government and Bank of Canada interventions on the economy and the financial effect on the Company is not known at this time. The extent of such impact will depend on future developments, which are highly uncertain and not in the Company's control, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken to address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

The Company has been deemed an "essential service" by the Ontario government, and therefore is permitted to continue full operations. In response to COVID-19, the Company has implemented working practices to address potential impacts to its operations, employees and customers, and will take further measures in the future if and as required. At present, the Company has not identified any material continuity-risks specifically associated with COVID-19.

GOING CONCERN

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future, convert its sales orders into revenue, realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the unaudited interim condensed consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these unaudited interim condensed consolidated financial statements. Such adjustments could be material.

As at August 31, 2020, the Company had an accumulated deficit of \$9,491,479 (May 31, 2020 - \$8,590,487). Working capital as at August 31, 2020 was \$1,605,553 compared to \$2,069,009 as at May 31, 2020. For the three month period ended August 31, 2020, net loss and comprehensive loss was \$900,992 (2019 - \$439,877), and the Company had no current sources of operating cash flow. Other than some initial licensing fees received, operations since inception have been funded from the issuance of share capital and exercise of stock options and warrants.

As evidenced by its accumulated deficit, the Company has, during its start-up phase, made significant capital and operational investments from the funds raised from its initial seed capital, the go-public process and the closing of the private placement in March, 2020. These funds have been used to build out the legal and operating infrastructure, the intellectual property portfolio and to obtain the production and sales licences necessary to capitalize on the opportunities within the cannabis marketplace in Canada and internationally.

CANNTAB THERAPEUTICS LIMITED

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Though the Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs, there is uncertainty as to how long these funds will last. The Company believes that, based on its revenue forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, if required, it could continue as a going concern for the foreseeable future. To achieve that, the Company will need to (i) develop its marketing opportunities into revenue generating transactions, and (ii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base. Management is actively working on the delivery of its products on an existing purchase order which will generate the Company's first sales revenue, but timing is still uncertain. Management is also reviewing financing options to raise the funds required to continue its strategy of expanding its product line, manufacturing facilities, research and development and geographic coverage, but there can be no assurance that management's fund raising plans will be successful. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

PRODUCTS

The Company has developed the formulation and prototype for its first product, the Extended Release Tablet ("XR Tablet"), which delivers standardized medical cannabis extract from selective strains in a solid, extended release pharmaceutical dosage. The XR Tablet is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems, including, but not limited to, accuracy of dosing, onset times, duration of action, bioavailability, ease of spoilage, and the reduction of side effects. The Company is rapidly moving toward the commercialization phase and gearing up for its first series of pre-clinical trials. The Company plans to manufacture and distribute the XR Tablet in legal medical cannabis jurisdictions including Canada, select states within the United States, Australia, and Germany.

Canntab holds a Cannabis Standard Processing and Sales for Medical Purposes Licence, a Cannabis Research Licence and an Industrial Hemp Licence from Health Canada. As part of its overall business plan and strategy, the Company will continue to seek Health Canada approval for its formulations of cannabinoid medications. The Company has plans to apply to Health Canada to add the XR Tablet to the approved list under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The XR Tablets use pharmaceutical grade excipients, all approved by Health Canada, and, in order to facilitate the approval process, the Company intends to present to Health Canada the similarities of the XR Tablet to existing room temperature oils inside gel capsules which have been approved under the ACMPR.

The Company also plans to apply for a Health Canada Dealer's License ("Dealer's License") under the Controlled Drugs and Substances Act (the "CDSA") in the very near future. A Dealer's License will enable the Company to have cannabis in its possession and to engage in various research and development activities not currently covered under the ACMPR, subject to obtaining any additional licenses or permits.

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INTELLECTUAL PROPERTY

The success of the Company's business depends in part on its ability to protect its technology and formulations related to pharmaceutical preparations containing natural or synthetic cannabinoids. In recognition of this, the Company continues to expand its intellectual property portfolio, which includes patent and trademark applications in the United States and Canada. On September 21, 2020, the Company announced it had been awarded a US patent titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations" (*see discussion under "Recent Events" section above*). The Company's intellectual property portfolio includes numerous patent applications in Canada, the United States and internationally.

The Canadian patents/patent applications that were filed pertain to a variety of Canntab's innovative technologies related to oral dosage formulations of pharmaceutical cannabis, including Sustained Release Cannabinoid Formulations and Sustained Release Cannabinoid Pellets, Immediate Release Cannabidiol Formulations; Modified-Release Multi-Layer Cannabinoid Formulations; Flash-Melt Cannabinoid Formulations; and Bi-layer Cannabinoid Tablets.

These patent applications are part of Canntab's continuing strategy to develop a comprehensive intellectual property portfolio which covers the company's technology and formulations related to pharmaceutical preparations which contain natural or synthetic cannabinoids. Canntab is currently developing a number of products which utilize this technology, including a variety of extended released tablets containing a mixture of THC (Tetrahydrocannabinol) and CBD (Cannabidiol) that may be helpful in the treatment of a number of ailments, such as sleep disorders, post-traumatic stress disorder (PTSD), social anxiety, addiction, arthritis, general pain, pain management and appetite loss associated with cancer treatments, and addiction treatment therapy of opioids and other painkillers.

In addition to patents, the Company also has numerous trademark applications in the United States and Canada that cover four potential trade names for the XR Tablet.

CANNTAB THERAPEUTICS LIMITED

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QUARTERLY PERFORMANCE

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

	Aug-2020 2021 Q1	May-2020 2020 Q4	Feb-2020 2020 Q3	Nov-2019 2020 Q2	Aug-2019 2020 Q1	May-2019 2019 Q4	Feb-2019 2019 Q3	Nov-2018 2019 Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Balance sheet								
Cash and cash equivalents and short term investment	1,058,809	2,090,438	1,496,723	182,844	612,564	1,588,978	2,428,193	3,060,587
Working capital	1,605,550	2,069,009	2,348,962	34,770	737,707	1,671,878	2,492,135	3,139,957
Shareholders' equity	3,068,459	3,528,742	3,585,731	1,278,896	1,852,652	2,267,855	2,690,341	3,317,949
Income statement								
Licensing revenue	-	-	-	-	133,334	184,999	22,500	22,500
Operating expenses	533,548	449,390	567,910	521,368	500,005	588,648	635,928	601,101
Share based compensation	283,950	294,731	46,001	49,346	24,673	125,841	48,388	200,700
Net loss and comprehensive loss	(900,992)	(873,359)	(670,906)	(623,102)	(439,877)	(548,329)	(675,996)	(787,397)

RESULTS OF OPERATIONS

Three months ended August 31, 2020 compared to August 31, 2019

The Company had a net loss of \$900,992 for Q1 2021 compared to \$439,877 for Q1 2020.

The Company does not have any currently recurring revenue streams. During Q1 2020, the Company recognized as revenue the remainder of the balance in contract liability of \$133,334 following the termination on June 24, 2019 of the agreement with Aleafia Health Inc., parent company of Emblem Corp., for non-performance.

As the Company has become more active operationally, it has increased its level of operating expenses in Q1 2021 to \$533,547 compared to Q1 2020 of \$500,005, an increase of \$33,542. The major components of the operating expenses (defined as total expenses less share based compensation, depreciation and amortization) are as follows:

- Personnel costs, including employee compensation and benefits and consulting fees, in Q1 2021 were \$369,797 compared to \$318,598 in Q1 2020, an increase of \$51,199. The headcount increased as the Company hired a new Chief Executive Officer, a new Chief Scientific Officer and higher level staffing as commercial production has now started.
- Marketing and regulatory expenses in Q1 2021 were \$45,863 compared to \$25,697 in Q1 2020, an increase of \$20,166, largely attributable to the start of development of a new branding and marketing campaign.
- Professional fees in Q1 2021 remained relatively consistent at \$58,069 compared to \$46,893 in Q1 2020.

CANNTAB THERAPEUTICS LIMITED

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- General and administrative expenses in Q1 2021 of \$46,823 compared to \$77,364 in Q1 2020, a decrease of \$30,541, resulting from lower costs for travel, insurance and maintenance.

Share based compensation totalled \$283,950 in Q1 2021 compared to \$24,673 in Q1 2020, almost entirely related to the issuance of 425,000 stock options in the quarter, all of which vested immediately (*see details in "Capitalization" section below*).

LIQUIDITY AND CAPITAL RESOURCES

The Company has not begun commercial sales of any of its products and accordingly, does not generate cash from operations. The Company finances its operating expenses, product development and research activities by raising capital from equity markets.

Cash and cash equivalents decreased by \$1,031,629 to \$1,058,809 as at August 31, 2020 from \$2,090,438 as at May 31, 2020. Working capital as at August 31, 2020 was \$1,605,553 compared \$2,069,009 as at May 31, 2020, a decrease of \$463,456. The major components of the decrease in cash and cash equivalents were the net of the following major transaction flows, which total \$967,943:

- (1) operating expenses in Q1 2021 of \$533,547 (*see "Results of Operations" section above*),
- (2) inventory purchases of \$330,887, and
- (3) the purchase of plant and equipment and intangible assets in Q1 2021 for \$103,509.

Accounts receivable is comprised mostly of recoverable HST ITC's, representing amounts due for quarterly filings for May, 2020 and August, 2020.

Inventory as at August 31, 2020 increased by \$375,482 to \$1,281,247, compared to \$905,765 at May 31, 2020. The Company started commercial production during the current quarter, but has not yet made any commercial sales as of August 31, 2020. The increase in inventory is due to further purchases and costs capitalized to inventory in the period of \$120,815, including \$51,030 of direct labor and \$44,595 of depreciation.

Additions to plant and equipment in Q1 2021 totalled \$85,293, consisting mostly of production equipment purchases and leasehold improvements.

Accounts payable as at August 31, 2020 nominally increased by \$58,728 to \$1,195,225, compared to \$1,253,953 at May 31, 2020. The major reason for the increase related to inventory purchases and consulting fee accruals.

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CAPITALIZATION

The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	August 31, 2020	May 31, 2020	Change in reporting period
Common shares	33,067,124	32,757,601	309,523
Common share purchase warrants	7,451,000	7,451,000	-
Stock options	1,920,000	1,495,000	425,000
Special warrants	2,847,500	2,847,500	-
Broker compensation warrants	360,667	470,190	(109,523)
	<u>45,646,291</u>	<u>45,021,291</u>	<u>625,000</u>
Total equity instruments			

The details of the major changes in each equity category over FY2020 are as follows:

Common shares

- In July, 2020, 109,523 broker compensation warrants were exercised for cash proceeds of \$54,761, resulting in the issuance of 109,523 common shares.
- On August 19, 2020, 200,000 common shares were issued to CMAX at a deemed price of \$0.51 per share as a deposit on the CMAX asset purchase (*see details under "Asset Purchases" section above*).

Stock options

- On June 8, 2020, the Company granted 150,000 options to certain employees and consultants. Each option entitles the holder thereof to purchase one common share of the Company at a price of \$1.00 per share expiring in 2 years and vested immediately.
- On July 13, 2020, the Company granted 275,000 options to certain employees and a director. Each option entitles the holder thereof to purchase one common share of the Company at a price of \$0.80 per share expiring in 2 years and vested immediately.

RELATED PARTY TRANSACTIONS AND BALANCES

During the three month periods ended August 31, 2020 and 2019, the Company had the following related party transactions:

- Under the terms of a consulting contract effective January, 2017, fees of \$30,000 were recorded during the three month period ended August 31, 2020 (2019 - \$30,000) by an entity controlled by an individual who is both an officer and director of the Company for his services as CFO. The Company recognized a car allowance credited to this individual of \$2,400 during the three month period ended August 31, 2020 (2019 - \$2,400).

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- (b) Under the terms of a consulting contract effective January, 2017, fees of \$37,500 were recorded during the three month period ended August 31, 2020 (2019 - \$Nil) by an entity controlled by an individual who is both an officer and director of the Company for his services as CEO. Salary paid to this individual during the three month period ended August 31, 2020 totalled \$Nil (2019 - \$37,500). The Company recognized a car allowance credited to this individual of \$2,400 during the three month period ended August 31, 2020 (2019 - \$2,400).
- (c) The Company is related to CMAX Technologies Inc. by virtue of common control. The Company entered into a lease renewal agreement with CMAX in fiscal 2020 for the premises at 223 Riviera Drive, Markham, Ontario. During the three month period ended August 31, 2020, the Company made payments of \$30,000 (2019 - \$30,000) which were applied against the operating lease now capitalized under IFRS 16.
- (d) For the three month period ended August 31, 2020, compensation to other officers and directors, other than separately disclosed above, includes:
 - share based compensation of \$44,980 (2019 - \$Nil)
 - consulting fees and salary of \$71,500 (2019 - \$Nil)
- (e) Accounts payable and accrued liabilities as at August 31, 2020 includes \$118,526 (May 31, 2020 - \$106,490) with respect to balances owing to related parties for the transactions disclosed above.

SUBSEQUENT EVENTS

- (a) On September 21, 2020, the Company announced that, pursuant to a filing made in March 2017, the U.S. Patent and Trademark Office has issued U.S. Patent No. 10,772,837 to Canntab, titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations (*see discussion above in "Recent Events" section*).
- (b) On October 19, 2020, the Company closed the two asset purchases (*see discussion above in "Recent Events" section*) through the issuance of 2,096,078 common shares of the Company.
- (c) On October 26, 2020, the Company announced the impending launch of its suite of hard pill cannabinoid formulations in Australia and participation in Australia's largest cannabis research study (*see discussion above in "Recent Events" section*).

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

IFRS 3 "Business Combinations"

This standard has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment is effective for annual periods beginning on or after January 1, 2020. The adoption of this amendment did not have a significant impact on the unaudited interim condensed consolidated financial statements.

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IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

These standards have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the unaudited interim condensed consolidated financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IFRS 16, Leases

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. At this time, the Company has not received rent concessions related to COVID-19 and therefore, this amendment is not expected to have a significant impact on the unaudited interim condensed consolidated financial statements.

IAS 16 "Property, Plant and Equipment"

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and requires certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the unaudited interim condensed consolidated financial statements.

IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

This standard has been amended to clarify the classification of liabilities as current or non-current. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

IAS 37 "Provisions"

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the unaudited interim condensed consolidated financial statements.

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IFRS 9 "Financial Instruments"

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to develop its resources properties so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

RISKS AND UNCERTAINTIES

An investment in the Company involves significant risks and must be considered speculative due to the nature of the Company's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect its business.

Risks related to the Company's business

The Company has a history of operating losses and may never achieve profitability. The Company is an early stage product development company, and accordingly, it has not yet generated any revenues.

The Company expects to be involved in research and development to create several oral cannabis products and then performing extensive trial testing and conducting research studies with such products prior to determining their commercial viability. This process may take several years and require significant financial resources without revenue. The Company expects these expenses to result in continuing operating losses for the foreseeable future.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Company's business, financial condition and results of operations.

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Protection of patents and trademarks

The Company's success will depend in part upon its ability to obtain maintain current patents and trademarks (as well as successfully file future patents and trademarks) for its current and future product lines. Obtaining such patent and trademark protection can be costly and the outcome of any application for such can be unpredictable. In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent and trademark protection, thereby affecting the development and commercial value of the Company's technology and products.

Regulatory proceedings, investigations and audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require The Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Insurance and uninsurable risk

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on our financial position. The Company currently maintains no insurance other than director and officer liability insurance. The Company may, however, acquire insurance in the future to protect against certain risks in such amounts as management considers reasonable. While it may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. Even after acquiring insurance, such insurance may not cover all the potential risks associated with product liability. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

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Product liability

As a cannabis oral dosage formulation company engaged in the research and development of advanced pharmaceutical grade formulations of cannabinoids designed to be ingested by humans, the Company, upon commercial launch, faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. This scenario could prevent or inhibit the commercialization of the Company's potential products. To date, there have been no product related issues.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be decided against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand. At this time, there is no outstanding litigation against the Company.

Competition

The medical cannabis industry in which the Company operates is, and is expected to continue to be, very competitive, and as such there is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Our competitors may vary in size, from well capitalized businesses with substantial operations and revenues to smaller and earlier stage companies. Competitors with ACMPR licenses, or that may obtain ACMPR licenses sooner than the Company, may also be able to devote greater resources to develop and market competing products and establish broad customer bases sooner than the Company.

Conflicts of interest

The Company's directors and officers may currently be involved, or become involved, in other business ventures that could compete with its products and services. Business opportunities for the Company may create circumstances in which outside interests of directors and officers conflict with the interests of the Company. Directors and officers are required to act in good faith and in a manner that benefits the Company.

It is possible, however, that directors and officers may owe similar consideration to another organization(s). If these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company, the Company will take the necessary steps to protect its interests.

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Dependence on key personnel

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

Financial liquidity

The Company has not yet generated meaningful revenue and will likely operate at a loss until its first product gets to market. It may require additional financing in order to execute its business plan. Its ability to secure required financing will depend in part upon investor perception of the ability to create a successful business. Capital market conditions and other factors beyond the Company's control may also play important roles in its ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts felt required, or unavailable on acceptable terms, the Company may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

Costs of maintaining a public listing

As a result of obtaining a public listing, the Company will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the existing shareholders.

Financial market turmoil

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability and a dampening in business and household spending.

Dividends

No dividends on the common shares have been paid by the Company to date. The Company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Company's Board of Directors after considering account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

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Share price volatility and speculative nature of share ownership

The Company is listed for trading on the CSE, resulting in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Company may significantly influence the price at which shares trade, and the volatility of the share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of our shares.

Sentiment toward cannabis stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Company's shares. The Company is a relatively young company that is not generating revenue and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Company's shares.

Risks relating to the Company's common stock

A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations. A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations.

Limited operating history

The Company has not generated significant profits or revenues in the periods covered by its most recent financial statements, and as a result, has only a very limited operating history upon which its business and future prospects may be evaluated. The Company is therefore subject to many of the risks common to early-stage enterprises, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. 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.

Lack of operational liquidity

The expenses of the Company will be funded from cash on hand from the remaining proceeds of the previous offerings. Once such cash has been expended, the Company will be required to seek additional financing. There is no guarantee that any debt or additional equity or equity related offering of securities will be available on terms acceptable to the Company or available at all or that it will be able to locate or sell mineral resources in a timely or profitable manner.