

Refining the future.



CSE:STILL
OTC:SCNNE

A dark, grayscale collage of images related to cannabis production. It includes a large industrial facility with complex piping and machinery, a person standing in a vast field, a close-up of a person's hands working with equipment, and a large pile of harvested cannabis buds.

**CONDENSED INTERIM
CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)**

Nine Month Period Ended April 30, 2020

(Expressed in Canadian Dollars)

STILLCANNA INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited-Expressed in Canadian dollars)

	Note	April 30, 2020	July 31, 2019
		\$	\$
Assets			
Cash and cash equivalents	3	5,045,717	15,580,243
Trade receivables		132,596	107,839
Refundable sales taxes receivable		1,106,782	212,142
Biological assets	6	—	538,729
Inventories	7	195,213	94,251
Prepaid expenses and deposits	8	50,857	120,115
Other current assets		19,931	101,693
		6,551,096	16,755,012
Plant and equipment	10	5,718,769	1,862,138
Right of use assets	11	202,631	—
Intangible assets	12	—	1,216,000
Goodwill	12	—	21,387,345
Investment in joint venture	9	3,677,208	2,712,196
Total Assets		16,149,704	43,932,691
Liabilities			
Accounts payable and accrued liabilities		348,406	635,005
Current portion of lease obligation	13	103,437	51,474
Other current liabilities		91,654	85,587
		543,497	772,066
Deferred income tax liability		153,600	182,400
Long-term portion of lease obligation	13	67,980	76,241
Total Liabilities		765,077	1,030,707
Shareholders' Equity			
Share capital		63,907,512	62,479,344
Reserve		3,050,693	2,634,741
Obligation to issue shares		—	16,250
Equity portion of convertible debt		1,336	1,336
Translation Reserve		(1,035,038)	(116,090)
Deficit		(50,539,876)	(22,113,597)
Shareholders' Equity		15,384,627	42,901,984
Total Liabilities and Shareholders' Equity		16,149,704	43,932,691

Nature and continuance of operations and going concern (note 1)

Subsequent events (note 17)

Approved and authorized for dissemination on behalf of the Board of Directors on July 13, 2020:

"Jason Dussault"

Jason Dussault - Director

"Shae De Jaray"

Shae De Jaray - Director

The accompanying notes are an integral part of these financial statements

STILLCANNA INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	For the three months ended April 30		For the nine months ended April 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	130,104	—	367,734	—
Cost of sales related to inventory production	201,708	—	400,725	—
Gross loss before change in fair value of biological assets	(71,604)	—	(32,991)	—
Unrealized loss on changes in fair value of biological assets	—	—	(36,820)	—
Gross loss	(71,604)	—	(69,811)	—
Expenses				
Administrative	138,429	80,111	419,148	95,667
Amortization (Notes 10, 11, and 12)	205,677	—	441,058	—
Advertising	6,700	577,615	543,372	585,955
Consulting (Note 16)	422,485	2,520,965	1,532,282	2,737,049
Insurance	27,500	—	72,010	—
Professional fees	140,077	269,949	440,311	367,423
Research and development	—	—	795,197	—
Share based payments (Notes 14 and 16)	—	—	415,952	218,500
Travel	29,910	72,424	247,548	112,215
Wages and salaries (Note 16)	275,530	—	733,168	—
Operating loss before other items	(1,317,912)	(3,521,064)	(5,709,857)	(4,116,809)
Other items				
Finance income	11,952	—	69,213	—
Foreign exchange gain (loss)	11,281	(333)	66,485	(651)
Loss on disposition of subsidiaries	—	(8,873,354)	—	(8,872,299)
Loss on investment in joint venture (Note 9)	(42,394)	(18,251)	(103,986)	(18,251)
Loss on sale of equipment	(13,238)	—	(9,029)	—
Impairment on inventory (Note 7)	(813,863)	—	(831,863)	—
Impairment on goodwill (Note 12)	(20,815,518)	—	(20,815,518)	—
Impairment of intangible assets (Note 12)	(990,165)	—	(990,165)	—
Impairment on plant and equipment (Note 10)	—	—	(132,262)	—
Loss before income tax	(23,969,857)	(12,413,002)	(28,456,982)	(13,008,010)
Income tax recovery	9,594	—	30,703	—
Net loss	(23,960,263)	(12,413,002)	(28,426,279)	(13,008,010)
Other comprehensive income				
Currency translation adjustment	(399,180)	—	(918,948)	—
Net loss and comprehensive loss	(24,359,443)	(12,413,002)	(29,345,227)	(13,008,010)
Basic and diluted loss per common share	(0.22)	(0.23)	(0.27)	(0.33)
Weighted average number of common shares outstanding	110,874,727	53,201,487	109,968,511	39,371,445

The accompanying notes are an integral part of these financial statements

STILLCANNA INC.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Expressed in Canadian dollars)

	Number of Outstanding Shares	Share Capital	Reserve	Equity portion of Convertible Debenture	Obligation to issue shares	Translation Reserve	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$	\$	\$	\$
Balance, July 31, 2018	22,558,000	1,321,783	276,589	1,336	—	—	(1,532,631)	67,077
Units issued for cash	16,000,000	4,000,000	—	—	—	—	—	4,000,000
Shares issuance costs	—	(340,620)	252,720	—	—	—	—	(87,900)
Acquisition of subsidiary	18,800,000	11,844,000	—	—	—	—	—	11,844,000
Exercise of warrants	1,873,805	292,903	—	—	32,500	—	—	325,403
Exercise of options	330,000	125,400	(62,700)	—	—	—	—	62,700
Share-based payments	—	—	218,500	—	—	—	—	218,500
Net loss	—	—	—	—	—	—	(13,008,010)	(13,008,010)
Balance, April 30, 2019	59,561,805	17,243,466	685,109	1,336	32,500	—	(14,540,641)	3,421,770
Balance, July 31, 2019	107,824,392	62,479,344	2,634,741	1,336	16,250	(116,090)	(22,113,597)	42,901,984
Exercise of warrants	3,050,355	1,428,168	—	—	(16,250)	—	—	1,411,918
Share-based payments	—	—	415,952	—	—	—	—	415,952
Currency translation adjustment	—	—	—	—	—	(918,948)	—	(918,948)
Net loss	—	—	—	—	—	—	(28,426,279)	(28,426,279)
Balance, April 30, 2020	110,874,747	63,907,512	3,050,693	1,336	—	(1,035,038)	(50,539,876)	15,384,627

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

STILLCANNA INC.Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	For the Nine Months Ended April 30,	
	2020	2019
	\$	\$
Cash flows from operating activities		
Net loss	(28,426,279)	(13,008,010)
Adjustments for non-cash items:		
Amortization	441,058	—
Share based payments	415,952	218,500
Unrealized foreign exchange	(66,485)	—
Finders and consulting fees paid	—	2,394,000
Loss on sale of plant and equipment	9,029	—
Loss on investment in joint venture	103,986	18,251
Loss on acquisition of subsidiary	—	8,873,354
Impairment of plant and equipment	132,262	—
Impairment of inventory	831,863	—
Impairment of goodwill	20,815,518	—
Impairment of intangible asset	990,165	—
Decrease in deferred income tax liability	(28,800)	—
Foreign exchange gain	(246,981)	—
Changes in non-cash working capital items:		
Trade receivables	(24,757)	—
Refundable sales taxes receivable	(894,460)	(50,387)
Prepaid expenses	69,258	(353,924)
Biological asset	538,729	—
Inventory	(932,826)	—
Other current assets	81,762	—
Accounts payable and accrued liabilities	(286,599)	327,718
Other current liabilities	6,067	—
Cash used in operating activities	(6,471,538)	(1,580,498)
Cash flows from investing activities		
Investment in plant and equipment	(4,362,207)	—
Leasehold improvements	—	(25,866)
Note receivable	—	(1,378,351)
Investment in Premium Extraction	(1,068,998)	(1,390,937)
Cash received on acquisition of subsidiary	—	54,965
Net cash used in investing activities	(5,431,204)	(2,740,189)
Cash flows from financing activities		
Payments on lease liability	(43,702)	—
Net proceeds from common share offering	—	4,000,000
Share issuance cost	—	(87,900)
Exercise of warrants	1,411,918	325,403
Exercise of options	—	62,700
Net cash provided by financing activities	1,368,216	4,300,203
Net decrease in cash	(10,534,526)	(20,484)
Cash, beginning	15,580,243	97,575
Cash, ending	5,045,717	77,091

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

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Stillcanna Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia). The head office, principal address and records office of the Company are located at 503-905 West Pender St., Vancouver, British Columbia, V6C 1L6.

The Company’s shares trade under the symbol “STIL” on the Canadian Securities Exchange.

Going concern

These financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. A number of alternatives including, but not limited to selling an interest in one or more of its assets or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited financial statements for the year ended July 31, 2019, with the exception of the adoption of IFRS 16 – *Leases*, with a date of initial application of August 1, 2019. The Company’s significant accounting policies and effects of adoption for leases are further described below. These financial statements do not include all of the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and should be read in conjunction with the annual audited financial statements.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Basis of measurement

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries excluding Olimax NT SP. Z .O.O. (“Olimax”) is Canadian dollars. The functional currency of Olimax is US dollars. These financial statements have been prepared on a historical cost basis, except for biological assets which are recorded at fair value less costs to sell.

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Borganic Consulting Inc. (“Borganic”) and Olimax. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Use of estimates and judgements

The preparation of these condensed interim consolidated financial statements requires the use of estimates and judgements that affect the application of the Company’s accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and the underlying assumptions which are used to create these estimates are reviewed on an ongoing basis by the Company’s management. Any revisions to accounting estimates are recognized in the period which the estimates are revised and in any future periods effected.

i) Business combinations

Management uses judgement when determining whether an acquisition constitutes a business combination, or an acquisition of assets based on the facts and circumstances of the transaction by comparison to the criteria listed in IFRS 3 – Business Combinations. In order to determine the purchase price of a business combination, including any acquisition-related contingent consideration, and determining the allocation of the purchase price requires estimation of fair value of the non-cash consideration and fair value of the assets acquired and liabilities assumed.

ii) Biological assets and inventory

In calculating the value of biological assets and inventory, the Company’s management is required to make a number of estimates including the following:

- The stage of growth of industrial hemp compared to point of harvest;
- Yield of saleable flower produced at harvest date; and
- Concentration of cannabidiol (“CBD”) at harvest date.

In calculating inventory values, management is required to determine an estimate of the obsolete inventory and compare the inventory cost to estimated net realizable value.

iii) Property, plant and equipment and intangible assets

In calculating the depreciation and amortization expense, management is required to make estimates of the expected useful lives of property and equipment and intangible assets.

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

*(Unaudited- Expressed in Canadian dollars)**iv) Share-based compensation*

The Company uses the Black-Scholes Option-Pricing Model to determine the grant date fair value of share-based compensation. The following assumptions are used in the model:

- Expected volatility;
- Risk-free interest rate;
- Fair value; and
- Expected option life.

3. SIGNIFICANT ACCOUNTING POLICIES*(a) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

	April 30, 2020	July 31, 2019
Cash held in banks	\$ 203,763	\$ 5,545,694
Guaranteed investment certificate	4,841,954	10,034,549
	\$ 5,045,717	\$ 15,580,243

(b) Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

(c) New accounting standards and interpretations

The following standard was adopted August 1, 2019:

IFRS 16 – Leases

On August 1, 2019, the Company adopted IFRS 16 which replaced IAS 17 “Leases” and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Company’s financial statements is not restated. The new standard introduces a single lessee accounting model and requires a lessee to recognize a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

On transition to IFRS 16, the Company elected to use the following practical expedients, as permitted under the standard:

- Grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases under IAS 17;
- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

The lease payments associated with these short-term leases are recognized as an expense on a straight-line basis over the lease term.

The following table summarizes the impacts of adopting IFRS 16 on the consolidated financial statements:

	Balance July 31, 2019	Adoption of IFRS 16	Reclass	Restated Balance August 1, 2019
	\$	\$	\$	\$
Plant and equipment	1,862,138	—	(163,971)	1,698,167
Right of use assets	—	—	163,971	163,971
Building	—	54,934	—	54,934
Current portion of lease obligation	(51,474)	(28,800)	—	(80,274)
Lease obligation	(76,241)	(31,200)	—	(107,441)

On adoption of IFRS 16, the Company has elected to reclassify amounts relating to leased assets that were historically considered finance leases under IAS 17 from plant and equipment to right of use assets on the statement of financial position. The reclassification is comprised of the following balances:

As at August 1, 2019	Cost	Accumulated Depreciation	Exchange Adjustment	Carrying Value
Transportation equipment	\$ 158,032	\$ (14,424)	\$ (1,192)	\$ 142,416
Leasehold improvements	25,866	(4,311)	—	21,555
Total	\$ 183,898	\$ (18,735)	\$ (1,192)	\$ 163,971

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

Update to Significant Accounting Policies

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, less any lease incentive received. The right of use asset is subsequently depreciated to the earlier of the end of the useful life of the right of use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The right of use asset may be adjusted for certain remeasurements of the lease liability and impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses a single discount rate for a portfolio of leases with reasonable similar characteristics. The lease liability is measured at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the Company's assessment of whether it will exercise a purchase, extension or termination option.

Leases that have a term of less than 12 months or leases with an underlying asset of low value are recognized as expenses to profit or loss.

Critical Judgments in Determining the Lease Term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event of a significant changes in circumstance occurs which affects this assessment.

4. ASSET ACQUISITION***Acquisition of Borganic Consulting Inc.***

On February 26, 2019, the Company acquired all of the issued and outstanding shares of Borganic in exchange for 15,000,000 common shares of the Company (the "Transaction"). Borganic is focused on the commercial extraction of cannabidiol ("CBD") from industrial hemp. In connection with the Transaction, the Company also issued 1,800,000 common shares to certain finders and 2,000,000 common shares to certain consultants in exchange for financial advisory services. Upon closing of the Transaction, Borganic became a wholly owned subsidiary.

The Transaction was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

The details of the consideration paid and the assets and liabilities of Borganic is as follows:

Consideration paid:	\$
Fair value of shares issued (15,000,000 at \$0.63 per shares)	9,450,000
Less: Value of net assets acquired	
Cash	54,965
Investment in Premium Extractions Services	1,622,982
Accounts payable/accruals	(25,358)
Note payable	(1,026,255)
Due to related party	(49,688)
Net assets acquired	576,646
Other consideration paid:	
Finders' fees	1,134,000
Advisory fees	1,260,000
Loss on acquisition	11,267,354
Per financial statements	\$
Loss on acquisition	8,873,354
Finders' fee included in consulting expense	1,134,000
Advisory fees included in consulting expense	1,260,000
	11,267,354

The Company granted 1,800,000 common shares as a finder's fee for a fair value of \$1,134,000 and 2,000,000 common shares as an advisory fee with a fair value of \$1,260,000.

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

*(Unaudited- Expressed in Canadian dollars)***5. BUSINESS COMBINATION*****Acquisition of Olimax***

On May 7, 2019, the Company acquire all of the shares of Olimax, a privately held Polish company acting as a manufacturer and seller of cannabidiols oils, in exchange for \$2,000,000 in cash and the issuance of 24,000,000 common shares.

At the time of the acquisition, the Company determined that Olimax constituted a business as defined under IFRS 3, Business Combinations, and accounted for it as such. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values.

During the year ended July 31, 2019, management finalized the purchase price allocation of Olimax based on the Company's estimated fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Cash	\$	2,000,000
Common shares issued (3,936,000 @ \$1.15)		4,526,400
Restricted commons shares issued (20,064,000 @ \$0.80)		16,051,200
Total consideration paid	\$	22,577,600
Less: Value of net assets acquired		
Assets		
Cash	\$	290,642
Accounts receivable		109,878
Inventories		199,241
Plant and equipment		377,248
Assets under finance lease		162,023
Deposits on equipment		305,279
Other assets		144,834
Customer relationships		450,000
Brand, licenses and channels		830,000
Goodwill		21,387,345
Total assets	\$	24,256,490
Liabilities		
Accounts payable	\$	(247,279)
Other payables		(102,626)
Loans		(942,094)
Deferred tax liability		(192,000)
Lease liability		(144,891)
Total liabilities	\$	(1,678,890)
Net assets acquired	\$	22,577,600

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company.

The Company granted 1,300,000 common shares as a finder's fee with a fair value of \$1,495,000 and 700,000 common shares as an advisory fee with a fair value of \$805,000.

6. BIOLOGICAL ASSETS

The Company defines biological assets as hemp plants up to the point of harvest. Biological assets are measured at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in kilograms for plants currently being cultivated, and then adjusts the amount by the expected selling costs per kilogram ("Kg").

The following significant unobservable inputs were used by management as part of the fair value model:

- Estimated selling price per Kg – With no previous sales history, Company's management evaluated industry data and expects to closely approximate the expected selling price.
- Stage of growth – The Company applied a weighted average number of days out of the 120 day growing cycle that biological assets have reached as of the measurement date based on historical evidence. The Company assigns fair value on a straight-line basis according the stage of growth and estimated costs to complete cultivation.
- Plant yield – represented by the expected number of Kg of finished hemp flower and content of cannabidiol as a percentage of weight to be obtained from each harvested hemp plant based on historical evidence.

Other unobservable inputs include: Estimated post-harvest costs, costs to complete and wastage.

All inputs noted above are classified as level three on the fair value hierarchy.

The following table quantifies each significant unobservable input and provides the impact of a 20% increase or decrease that each input would have on the fair value of biological assets:

	April 30, 2020	July 31, 2019	Impact of 20% change – April 30, 2020	Impact of 20% change – July 31, 2019
Estimated selling price per Kg	—	\$5	—	\$149,265
Estimated stage of growth	—	37%	—	\$107,745
Estimated flower yield per hectare (Kg)	—	330	—	\$107,745

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

The changes in the carrying value of biological assets during the period are as follows:

	April 30, 2020	July 31, 2019
Balance, opening	\$ 538,729	\$ —
Production costs capitalized	983,595	501,909
Change in fair value less cost to sell	(137,806)	36,820
Loss on fair value measurement at harvest	(809,185)	—
Transferred to inventory upon harvest	(575,333)	—
Balance, ending	\$ —	\$ 538,729

7. INVENTORIES

	April 30, 2020	July 31, 2019
Hemp products, raw materials	\$ 195,213	\$ 94,251

During the nine months ended April 30, 2020, the Company tested inventories for impairment and wrote down the hemp inventory to its net realizable value, which resulted in a loss of \$831,863.

8. PREPAID EXPENSES

	April 30, 2020	July 31, 2019
Deposits on land leases	\$ —	\$ 82,463
Deposit on office lease	9,860	3,698
Marketing and consulting services	—	25,988
Prepaid insurance	21,667	—
Other prepaid expenditures	19,330	7,966
Balance	\$ 50,857	\$ 120,115

9. INVESTMENT IN JOINT VENTURE

The Company currently holds a 49% interest in a joint venture, Premium Extraction Services Ltd. (“Premium”). Premium is focused on the extraction and distillation of CBD oils from hemp. The determination of Premium as a joint venture was based on Premium’s structure through a separate legal entity whereby neither the legal form nor the contractual arrangement gives the owners’ rights to the assets and obligations for the liabilities within the normal course of business, nor does it give the rights to the economic benefits of the assets or responsibilities for settling liabilities associated with the arrangement.

STILLCANNA INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended April 30, 2020 and 2019

(Unaudited- Expressed in Canadian dollars)

Summarized statement of comprehensive loss for investment in joint venture under equity accounting:

April 30, 2020	For the Three Months Ended	For the Nine Months Ended
	\$	\$
Revenues	—	—
Expenses		
General and administration	86,242	195,639
Other items		
Foreign exchange loss	(275)	(16,577)
Net loss	(86,517)	(212,216)
Share of equity investment	49%	49%
Company's share of net loss	(42,393)	(103,986)

The summary of the Company's investment in joint venture is as follows:

	April 30, 2020	July 31, 2019
	\$	\$
Balance, beginning	2,712,196	—
Additions from asset acquisition	—	1,622,982
Contributions made to the joint venture	1,068,998	1,168,055
Loss on investment in joint venture	(103,986)	(78,841)
Balance, ending	3,677,208	2,712,196

At the time of the release of these financials, the accounts for Premium Extraction Services Ltd are still to be finalized and filed with relevant national authorities.

STILLCANNA INC.

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10. PLANT AND EQUIPMENT

	Plant and equipment	Transportation equipment	Leasehold improvements	Assets under construction	Other tangible assets	Total
Cost:	\$	\$	\$	\$	\$	\$
Balance, August 1, 2018	—	—	—	—	—	—
Additions	439,556	—	25,866	862,799	42,940	1,371,161
Additions from the business combination (Note 5)	339,761	195,224	—	3,415	871	539,271
Balance July 31, 2019	779,317	195,224	25,866	866,214	43,811	1,910,432
Additions	2,792,563	730,911	—	830,234	—	4,353,708
Adjust to right of use assets	—	(158,032)	(25,866)	—	—	(183,898)
Impairment adjustment	—	(132,262)	—	—	—	(132,262)
Exchange adjustments	(16,613)	(3,747)	—	(10,579)	(918)	(31,857)
Balance, April 30, 2020	3,555,267	632,094	—	1,685,869	42,893	5,916,123
Accumulated depreciation:						
Balance, August 1, 2018	—	—	—	—	—	—
Depreciation	28,196	15,732	4,311	—	1,003	49,242
Exchange adjustments	(593)	(332)	—	—	(23)	(948)
Balance, July 31, 2019	27,603	15,400	4,311	—	980	48,294
Depreciation	157,030	1,824	—	—	8,941	167,795
Adjust to right of use assets	—	(14,424)	(4,311)	—	—	(18,735)
Balance, April 30, 2020	184,633	2,800	—	—	9,921	197,354
Net book value, July 31, 2019	751,714	179,824	21,555	866,214	42,831	1,862,138
Net book value, April 30, 2020	3,370,634	629,294	—	1,685,869	32,972	5,718,769

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10. PLANT AND EQUIPMENT (continued)

During January 2020, a fire damaged a piece of farming equipment of the Company. The farming equipment was written down by \$132,262 to its recoverable value of \$131,641 which was determined by reference to the equipment's fair value less costs of disposal. The main valuation input used was the estimate of the repairment costs. Since such costs are a significant unobservable input, the fair value of the equipment is classified as a level 3 fair value.

11. RIGHT OF USE ASSETS

	Transportation Equipment	Leasehold Improvements	Building	Total
Cost:	\$	\$	\$	\$
Balance, July 31, 2019	—	—	—	—
Additions	158,032	25,866	118,730	302,628
Balance, April 30, 2020	158,032	25,866	118,730	302,628
Accumulated depreciation:				
Balance, July 31, 2019	—	—	—	—
Depreciation	54,638	9,263	36,096	99,997
Balance, April 30, 2020	54,638	9,263	36,096	99,997
Net book value, April 30, 2020	103,394	16,603	82,634	202,631

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12. INTANGIBLE ASSETS AND GOODWILL

	Customer Relationships	Brands	Goodwill	Total
Cost:	\$	\$	\$	\$
Balance, August 1, 2018	—	—	—	—
Additions from the business combination (Note 5)	450,000	830,000	21,387,345	22,667,345
Balance, July 31, 2019	450,000	830,000	21,387,345	22,667,345
Adjustment from the business combination (Note 5)	—	—	(6,475)	(6,475)
Impairment	(438,105)	(808,060)	(20,815,518)	(22,061,683)
Exchange adjustments	(11,895)	(21,940)	(565,352)	(599,187)
Balance, April 30, 2020	—	—	—	—
Accumulated depreciation:				
Balance, August 1, 2018	—	—	—	—
Depreciation	22,500	41,500	—	64,000
Balance, July 31, 2019	22,500	41,500	—	64,000
Depreciation	67,500	124,500	—	192,000
Impairment	(90,000)	(166,000)	—	(256,000)
Balance, April 30, 2020	—	—	—	—
Net book value, July 31, 2019	427,500	788,500	21,387,345	22,603,345
Net book value, April 30, 2020	—	—	—	—

On each reporting date, the Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below their carrying values and, therefore, require the intangible assets and goodwill to be tested for impairment. As of April 30, 2020, the Company performed its impairment test on goodwill and intangible assets using the fair value less costs to sell approach. During the nine months ended April 30, 2020, the Company recorded an impairment charge of \$990,165 on intangible assets (2019 - \$nil) and \$20,815,518 on goodwill (2019 - \$nil).

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13. LEASE OBLIGATIONS

	April 30, 2020	July 31, 2019
Gross lease liabilities – minimum lease payments:	\$	\$
No later than 1 year	113,565	55,293
Later than 1 year and no later than 5 years	67,185	79,219
	180,750	134,512
Future interest charges on lease liabilities	(9,333)	(6,797)
Present value of lease liability	171,417	127,715
Current	103,437	51,474
Non-current	67,980	76,241

The Company's future minimum payments under non-cancellable, lease arrangements for buildings and equipment, as at April 30, 2020 and July 31, 2019 are as stated in the table below:

	April 30, 2020	July 31, 2019
	\$	\$
Not later than 1 year	113,565	55,293
Later than 1 year and no later than 5 years	67,185	79,219
	173,360	134,512

14. SHARE CAPITAL

- a. Authorized: unlimited common shares without par value
unlimited preferred shares without par value

- b. Issued and Outstanding:

On October 10, 2018, the Company closed a private placement for proceeds of \$4,000,000 and issued 16,000,000 units at a price of \$0.25 per unit. Each unit consists of one common share and one-half warrant. Each warrant is exercisable into one common share at a price of \$0.50 per share for 1 year. In connection with the private placement, the Company paid cash finders' fees of \$87,900 and 421,200 finder's warrants with a fair value of \$252,720. Each warrant is exercisable into one common share at \$0.50 until October 10, 2019. Finders' fees were valued using the Black-Scholes Option Pricing Model using the following input assumptions:

Risk-free interest rate	2.09%
Estimated life	1 year
Expected volatility	332%
Expected dividend yield	0%

On March 14, 2019, the Company acquired all of the issued and outstanding shares of Borganic in exchange for 15,000,000 common shares of the Company. In connection with the Transaction, the Company also issued 1,800,000 common shares to certain finders and 2,000,000 common shares to certain consultants in exchange for financial advisory services.

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Stock options:

During the year ended July 31, 2018, the Board approved the adoption by the Company of a new fixed number share option plan (the “Fixed Option Plan”), subject to shareholder and regulatory approval. The Fixed Option Plan is designed to provide certain directors, officers and other key employees of the Company with incentive share options at the discretion of the Board. Under the Fixed Option Plan, the number of Common Shares which will be reserved for issuance, including any options currently outstanding which were granted under the Company’s 10% rolling Option Plan will not exceed 10,782,439 Common Shares as of the date of this report. Options are to be granted at the discretion of the Board to Service Providers as defined in the Fixed Option Plan. Capitalized terms used but not defined have the meanings ascribed to them in the Fixed Option Plan.

A summary of the Company’s stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance July 31, 2018	1,015,000	\$0.19
Granted, August 2, 2018	100,000	\$0.19
Granted, October 15, 2018	1,050,000	\$0.63
Exercised, March 25, 2019	(125,000)	\$0.19
Exercised, March 29, 2019	(125,000)	\$0.19
Exercised, April 5, 2019	(80,000)	\$0.19
Granted, May 27, 2019	1,800,000	\$1.23
Balance, July 31, 2019 and April 30, 2020	3,635,000	\$0.83

As of April 30, 2020, 3,635,000 stock options are exercisable (July 31, 2019 – 1,835,000).

On August 2, 2018, the Company granted 100,000 options to directors and officers of the Company. The options fully vested on the grant date and are exercisable for a period of 5 years at a price of \$0.19 per share. The fair value of these option was \$19,000 assessed using the Black-Scholes Option Pricing Model.

On October 15, 2018, the Company granted 1,050,000 options, of which, 600,000 were granted to directors and officers of the Company. The options fully vested on the grant date and are exercisable for a period of 5 years at a price of \$0.63 per share. The fair value of these options was \$199,500 assessed using the Black-Scholes Option Pricing Model.

Details of the fair value of options granted and the assumptions used in the Black-Scholes Option Pricing Model are as follows:

Risk-free interest rate	2.25%- 2.40%
Estimated life	5 years
Expected volatility	241%-247%
Expected dividend yield	0%

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On May 27, 2019, the Company granted 1,800,000 stock options, of which 650,000 were granted to certain directors of the Company. The options vested after three months from the grant date and are exercisable for a period of five years at \$1.23 per share. The fair value of these options was \$1,417,318 assessed using the Black-Scholes Option Pricing Model.

Details of the fair value of options granted and the assumptions used in the Black-Scholes Option Pricing Model are as follows:

Risk-free interest rate	1.82%
Estimated life	5 years
Expected volatility	82.6%
Expected dividend yield	0%

During the nine months ended April 30, 2020, the Company recorded share-based payments of \$415,952 (2019 - \$218,500) relating to options vesting.

During the year ended July 31, 2019, the Company issued 330,000 common shares resulting from exercise of stock options for total proceeds of \$62,700.

Share purchase warrants:

A summary of the Company's warrant activities is as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, July 31, 2018	5,450,000	\$ 0.10
Issued, October 10, 2018	8,421,200	\$0.50
Issued, May 7, 2019	12,076,925	\$1.73
Exercised	(2,352,500)	\$0.10
Exercised	(838,805)	\$0.50
Balance, July 31, 2019	22,999,320	\$1.09
Exercised	(3,050,335)	\$0.47
Expired, October 10, 2019	(4,774,560)	\$0.50
Balance, April 30, 2020	15,174,425	\$1.34

During the nine months ended April 30, 2020, the Company issued 3,050,335 common shares for exercise of warrants for proceeds of \$1,428,168, of which \$16,250 was received in the prior fiscal period.

During the nine months ended April 30, 2019, the Company issued 1,837,805 common shares for exercise of warrants for proceeds of \$325,403.

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As of April 30, 2020, the following warrants were outstanding and exercisable:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Number of Common Shares Issuable
3,097,500	\$ 0.10	January 12, 2023	3,097,500
12,076,925	\$ 1.73	May 7, 2020	12,076,925
15,174,425			15,174,425

The weighted average exercise price and weighted average life are \$1.34 and 0.57 year, respectively.

15. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, and other current liabilities approximate fair value due to the short-term nature of the financial instruments.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk arises from cash held with banks and financial institutions and receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company's cash is primarily held with a major Canadian bank.

Currency risk

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure but has no hedge positions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than ninety days. The Company prepares annual budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing.

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The following is an analysis of the contractual maturities of the Company's financial liabilities as at April 30, 2020:

	Within 12 months		After 12 months	
Accounts payable and accrued liabilities	\$	348,406	\$	—
Lease liability		103,437		67,980
Other liabilities		91,654		—
Total	\$	543,497	\$	67,980

16. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors. The remuneration of directors and key management personnel was as follows:

	For the Three Months		For the Nine Months	
	Ended April 30,		Ended April 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Wages and salaries	87,000	—	261,000	—
Consulting fees to Directors and key management personnel	40,500	74,866	121,500	103,134
Share-based compensation to directors	—	—	150,205	19,000
	127,500	74,866	532,705	122,134

17. SUBSEQUENT EVENTS

On June 3, 2020, the Company entered into a definitive share exchange agreement with Sativa Group Plc. ("Sativa") whereby the Company intends to acquire 100% of the issued and outstanding shares of Sativa through a share exchange offer at a ratio of approximately 0.33507 shares of the Company in exchange for one share of Sativa. The exchange ratio attributes an implied value for the entire issued share capital of Sativa of approximately £10,409,022 based on the closing price of a share of the Company at \$0.095 on April 21, 2020.

Subsequent to April 30, 2020, the Company disposed of agricultural equipment consisting of 2 telescopic loaders, 1 harvester and 3 tractors. Along with its own agricultural efforts in Poland, the Company has signed agreements with multiple European based hemp farmers to assure a supply of high CBD content EU compliant hemp biomass for 2020. These agreements led to some equipment becoming redundant. The Company sold the two loaders for proceeds of \$161,927, the harvester for proceeds of \$ 7,288 and three tractors for net proceeds of \$295,755.