

CANNTAB THERAPEUTICS LIMITED

(Formerly Telferscot Resources Inc.)

Interim Consolidated Financial Statements

Three Months Ended March 31, 2018 and 2017

(Stated in \$CAD)

(Unaudited - Prepared by Management)

These unaudited interim consolidated financial statements, prepared by management, have not been reviewed by the company's external auditors

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Interim Consolidated Statements of Financial Position
As at March 31, 2018 and December 31, 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>March 31</u> <u>2018</u>	<u>December 31</u> <u>2017</u>
ASSETS		
Current:		
Cash	\$ 10,304	\$ 749
Accounts receivable (Note 5)	7,015	5,842
Prepaid expenses	<u>9,908</u>	<u>3,479</u>
	<u>\$ 27,227</u>	<u>\$ 10,070</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 6)	<u>\$ 155,887</u>	<u>\$ 157,675</u>
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	3,112,050	3,039,629
Contributed surplus	187,804	187,804
Reserve for share based payments (Note 8)	50,750	50,750
Accumulated deficit	<u>(3,479,264)</u>	<u>(3,425,788)</u>
	<u>(128,660)</u>	<u>(147,605)</u>
	<u>\$ 27,227</u>	<u>\$ 10,070</u>

Commitment (Note 14)

Subsequent events (Note 15)

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

Approved on behalf of the Board:

"Richard Goldstein" Director

"Victor Fonseca" Director

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Interim Consolidated Statements of Loss and Comprehensive Loss
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>
Expenses		
Management fees (Note 13(a))	\$ 25,425	\$ 25,425
Shareholder communication and reporting issuer costs	24,181	2,437
Office and general	2,656	3,106
Insurance	1,214	1,000
Professional fees	-	4,516
	<u>53,476</u>	<u>36,484</u>
Net loss	\$ (53,476)	\$ (36,484)
Basic and diluted loss per share (Note 9)	\$ (0.0004)	\$ (0.0003)

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

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Interim Consolidated Statements of Changes in Shareholders' Deficiency
Period From January 1, 2017 to March 31, 2018
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	Share capital		Contributed surplus	Reserve for share based payments	Accumulated deficit	Total
	Shares	Amount				
As at January 1, 2017	104,856,961	\$ 2,939,629	\$ 187,804	\$ 50,750	\$ (3,243,341)	\$ (65,158)
Net loss and comprehensive loss for period	-	-	-	-	(36,484)	(36,484)
As at March 31, 2017	104,856,961	2,939,629	187,804	50,750	(3,279,825)	(101,642)
Net loss and comprehensive loss for period	-	-	-	-	(145,963)	(145,963)
Private placement (Note 7(a))	10,000,000	100,000	-	-	-	100,000
As at December 31, 2017	114,856,961	3,039,629	187,804	50,750	(3,425,788)	(147,605)
Net loss and comprehensive loss for period	-	-	-	-	(53,476)	(53,476)
Exercise of stock options (Note 7(b))	10,143,039	72,421	-	-	-	72,421
As at March 31, 2018	125,000,000	\$ 3,112,050	\$ 187,804	\$ 50,750	\$ (3,479,264)	\$ (128,660)

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

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Interim Consolidated Statements of Cash Flows
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>
Operating activities		
Net income (loss) for period	\$ (53,476)	\$ (36,484)
Change in non-cash working capital items		
Accounts receivable	(1,173)	-
Prepaid expenses	(6,429)	1,000
Accounts payable and accrued liabilities	(1,788)	32,441
	<u>(62,866)</u>	<u>(3,043)</u>
Financing activities		
Proceeds on exercise of stock options	<u>72,421</u>	<u>-</u>
Increase (decrease) in cash	9,555	(3,043)
Cash, beginning of period	<u>749</u>	<u>15,562</u>
Cash, end of period	\$ <u>10,304</u>	\$ <u>12,519</u>

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

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

1. **NATURE OF OPERATIONS**

The Company was incorporated under the Canada Business Corporations Act on May 31, 2010 and was previously engaged in the acquisition and exploration of resource properties in the Democratic Republic of Congo ("DRC"). It has registered offices at 223 Riviera Drive, Markham, Ontario, Canada, L3R 5J6, is a reporting issuer in the provinces of Ontario, British Columbia, Alberta and Manitoba, and traded previously under the symbol "TFS" on the Canadian Securities Exchange ("CSE"). As at March 31, 2018, the Company had no current investments such that it currently effectively functions solely as a public shell.

On April 12, 2018, Telferscot Resources Inc. ("Old Telferscot") announced that it had closed a three-cornered amalgamation between 2611780 Ontario Inc. ("Numco"), a wholly owned subsidiary of Old Telferscot, and Canntab Therapeutics Limited ("Old Canntab") to acquire the issued and outstanding shares of Old Canntab, effectively resulting in a reverse takeover of Old Telferscot by Old Canntab (*see note 15(a)*). Under the amalgamation, (a) Old Canntab amalgamated with Numco to become Canntab Therapeutics Subsidiary Limited ("Canntab Private"), (b) Old Telferscot changed its name to Canntab Therapeutics Limited ("New Canntab"), (c) such that this resulted in a corporate structure with Canntab Therapeutics Limited ("New Canntab") as the 100% parent of Canntab Therapeutics Subsidiary Limited ("Canntab Private").

On April 3, 2018, Old Telferscot announced that it had received final approval from the Ontario Superior Court for the Company's Plan of Arrangement relating to the distribution of certain corporate assets to Old Telferscot shareholders (*see note 15(b)*).

2. **SIGNIFICANT ACCOUNTING POLICIES**

(a) **Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the IASB, and accordingly do not include all the information required for full annual financial statements by IFRS. They have been prepared using the same accounting policies that were described in note 2 to the Company's annual consolidated financial statements for the year ended December 31, 2017 which were prepared in accordance with IFRS as issued by the IASB.

The interim consolidated financial statements have not been reviewed by the Company's external auditors and were authorized for issuance by the Board of Directors on May 30, 2018.

(b) **Basis of presentation**

The interim consolidated financial statements have been prepared on the historical cost basis as modified by the measurement at fair value of financial assets classified as fair value through profit and loss ("FVTPL").

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(c) **Consolidation**

All entities in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, have been fully consolidated.

The interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- (i) 9581189 Canada Inc., a shell company incorporated with respect to the now-cancelled Resideo transaction;
- (ii) 2611780 Ontario Inc., a shell company incorporated with respect to the Canntab transaction (*see note 15(a)*); and
- (iii) Six of the seven "Spinco's" that were incorporated on December 27, 2017 as part of the Plan of Arrangement (*see note 15(b)*), namely 10557404 Canada Corp. ("SpinCo1"), 10557501 Canada Corp. ("SpinCo2"), 10557510 Canada Corp. ("SpinCo3"), 10557536 Canada Corp. ("SpinCo4"), 10557544 Canada Corp. ("SpinCo5") and 10557633 Canada Corp. ("SpinCo6"). The seventh spinco, 10617059 Canada Corp. ("SpinCo7"), was incorporated in February, 2018.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions have been eliminated in preparing the interim consolidated financial statements.

(d) **Functional currency and foreign currency translation**

Functional and presentation currency

The interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the corporate offices located in Canada.

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate at the end of the reporting period with all foreign currency adjustments being expensed.

(e) **Cash**

Cash consists of deposits held with banks.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(f) **Provisions**

A provision is recognized on the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) **Share based payments**

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured using the Black-Scholes option pricing model based upon the number of awards expected to vest. Compensation expense is recognized upon vesting over the tranche's vesting period by increasing the reserve for share based payments. Any consideration paid on exercise of share options is credited to share capital.

For other equity settled transactions, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the Company measures their value by reference to the fair value of the equity instruments granted.

(h) **Loss per share**

Basic loss per share amounts are calculated by dividing net loss for the reporting period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted income (loss) per share amounts are calculated by dividing the net earnings attributable to common shareholders by the weighted average number of shares outstanding during the reporting period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. Diluted loss per share amounts are not presented if anti-dilutive.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(i) **Financial instruments**

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity investments (“HTM”), or available-for-sale financial assets (“AFS”), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when its contractual rights to the asset’s cash flows expire or if substantially all the risks and rewards of the asset are transferred.

Financial assets at FVTPL

A financial asset is classified as FVTPL when the financial asset is held for trading or it is designated upon initial recognition as FVTPL. A financial asset is classified as FVTPL if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. Transaction costs are expensed as incurred. The Company has classified cash as FVTPL.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost less losses for impairment. The impairment loss of receivables is based on a review of all outstanding amounts at the end of the reporting period. Bad debts are written off during the period in which they are identified. Amortized cost is calculated considering any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process. The Company has classified accounts receivable as loans and receivables.

AFS financial assets

Non derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive income (loss) and accumulated in the AFS reserve. Impairment losses are recognized in profit or loss. Purchases and sales of AFS financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the AFS reserve. On sale, the cumulative gain or loss recognized in other comprehensive income (loss) is reclassified from accumulated other comprehensive income to profit or loss.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(i) **Financial instruments, continued**

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

A provision for impairment is made in relation to accounts receivable, and an impairment loss is recognized in profit or loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms. With the exception of AFS equity instruments, if, in a subsequent period, the amount of impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized.

Financial liabilities

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables and accrued liabilities.

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in profit or loss.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(i) **Financial instruments, continued**

Financial hierarchy

Financial instruments recorded at fair value on the interim consolidated statements of financial position 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:** valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2:** valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3:** valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. **RECENT ACCOUNTING STANDARD CHANGES**

- (a) **IFRS 9: "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities"** was issued by the IASB in July 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The Company is currently evaluating the potential impact of this standard; however, it is not expected to have a significant impact on the consolidated financial statements.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

3. **RECENT ACCOUNTING STANDARD CHANGES, CONTINUED**

- (b) **IFRS 16 "Leases"** was issued by the IASB in January 2016 and will ultimately replace IAS 17, "Leases" and related interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. If the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting this standard.

4. **AUXICO RESOURCES CANADA INC.**

- (a) On May 17, 2016, the Company announced the signing of a binding Letter of Intent ("LOI") to acquire the issued and outstanding shares of Auxico Resources Canada Inc. ("Auxico"). The LOI called for the issuance of up to 23,500,000 shares of the Company following a consolidation of the Company shares to equal not more than 3,000,000 issued and outstanding immediately prior to completion. As of December 31, 2016, the Company had 114,856,961 shares outstanding following the return of capital (*see note 7(a)*).
- (b) On June 30, 2016, the Company announced that it had entered into an amalgamation agreement (the "Amalgamation Agreement") with Auxico as per the LOI (*see note 4(a)*). On October 5, 2016, the Company signed an amendment to the Amalgamation Agreement to extend the closing date to December 31, 2016.

Pursuant to the Amalgamation Agreement, and on the effective date of the Amalgamation Agreement, the following was to occur:

- (i) Following a 35:1 share consolidation to be approved by shareholders, the Company was to issue 23,900,000 fully paid, issued and outstanding common shares from treasury (the "Exchange Shares") to Auxico shareholders, being one (1) Exchange Share for each one (1) Auxico share issued and outstanding as of the execution of the Amalgamation Agreement and all such Auxico shares shall be cancelled;
- (ii) Auxico was in the process of completing a financing whereby Auxico was to issue secured convertible debentures (the "Debentures") being convertible into 5,000,000 Auxico shares for gross proceeds of US\$2,000,000. The Company was to assume the obligations of Auxico pursuant to the Debentures. Further to such assumption, the Company was to reserve for issuance 5,000,000 Exchange Shares;

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

4. **AUXICO RESOURCES CANADA INC., CONTINUED**

- (c) Closing of the Auxico transaction was subject to a number of conditions, including the completion of satisfactory due diligence, receipt of any required shareholder, regulatory and third-party consents, completion of ongoing audits, the CSE having conditionally accepted the re-listing of the Company's common shares and the satisfaction of other customary closing conditions.
- (d) On January 5, 2017, the Company announced that a number of conditions precedent to the closing of the proposed Auxico transaction still remained outstanding. Accordingly, the agreement with Auxico was terminated and pursuant to the terms of the transaction, the Company has initiated legal proceedings against Auxico seeking to claim its break fee of \$150,000.

No amount has been recorded in these interim consolidated financial statements with respect to this break fee as any potential recovery, whether in whole or in part, remains uncertain at this time. The interest in this litigation was subsequently spun out to a subsidiary company in April, 2018 (*see note 15(b)(iv)*).

5. **ACCOUNTS RECEIVABLE**

	March 31 2018	December 31 2017
HST receivable	\$ 7,015	\$ 5,842

As a result of an audit completed in September, 2016 by Canada Revenue Agency, the Company wrote off its cumulative HST ITC's as of September 30, 2016 totalling \$56,134. The HST ITC's were disallowed by CRA on the grounds that the Company had not been engaged in any commercial activities (for excise tax purposes only) during the period under audit as it had effectively been functioning as an investment holding company since the April, 2013 refinancing of its investment in Kolwezi Copper Corp. that reduced its interest in that project to 7.4%.

HST ITC's of \$5,842 related only to the now-cancelled Auxico transaction have been set up as recoverable as at December 31, 2017 based on legal judgements rendered in similar prior court cases.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

6. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31	December 31
	2018	2017
Trade accounts payable (Note 13(a)(i))	\$ 131,484	\$ 119,972
Accrued professional fees and other	6,403	17,703
Accrued director fees (Notes 13(b) and 15(d))	18,000	18,000
Loan payable - related party	-	2,000
	\$ 155,887	\$ 157,675

The loan payable is due to the related party described in note 13(a)(i), and was effectively repaid in February, 2018 as part of that entity's exercise of its stock options (*see note 15(c)*).

Included in trade accounts payable are previously incurred professional fees of \$38,230 with respect to the Auxico legal action (*see note 4(d)*) that will be assumed by SpinCo7 under the Plan of Arrangement (*see note 15(b)(iv)*).

7. **SHARE CAPITAL**

Continuity schedules for the Company's share capital and other equity instruments are disclosed in the interim consolidated statements of changes in shareholders' deficiency for the period from January 1, 2017 to March 31, 2018. The major equity transactions over this period are detailed below:

- (a) In May, 2017, the Company closed a non-brokered private placement in which a total of 10,000,000 common shares were issued at a price of \$0.01 per share for gross proceeds of \$100,000.
- (b) In February, 2018, 10,143,039 options were exercised for gross cash proceeds of \$72,421. The funds were used to pay down existing accounts payable and accrued liabilities and regular working capital requirements. The remaining 6,961 unexercised options were subsequently cancelled.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

8. **STOCK OPTIONS**

The Company's shareholders have approved a stock option plan, the purposes of which are to (i) encourage common share ownership in the Company for directors, officers, consultants and employees, (ii) provide additional incentive for superior performance by such individuals, and (iii) enable the Company to attract and retain valued directors, officers and employees.

Stock option activity during the period from January 1, 2017 to March 31, 2018 was as follows:

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	10,150,000	\$ 0.007	10,150,000	\$ 0.007
Exercised in February, 2018 (Note 7(b))	(10,143,039)	0.007	-	-
Remaining options cancelled	(6,961)	0.007	-	-
Outstanding, end of period	-	\$ -	10,150,000	\$ 0.007

9. **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 in the three month period ended March 31, 2018 was 119,139,577 (March 31, 2017 - 104,856,961).

As at March 31, 2018, the following potentially dilutive equity instruments were outstanding: (1) Nil options (March 31, 2017 - 10,150,000). The fully diluted number of common shares outstanding in the three month period ended March 31, 2018 was 125,000,000 (March 31, 2017 - 115,006,961).

The following table presents basic and diluted loss per share after giving effect to the 200:1 share consolidation described in note 15(a)(iii):

	Three months ended March 31	
	2018	2017
Net loss	\$ (53,476)	\$ (36,484)
Weighted average number of common shares	595,698	524,285
Basic and diluted loss per share	\$ (0.09)	\$ (0.07)

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

10. **FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and currency risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) **Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable, which consists of refundable HST ITC's.

As a result of an audit completed in September 2016 by Canada Revenue Agency, the Company has written off its cumulative HST ITC's as at September 30, 2016 totalling \$56,134. The HST ITC's were disallowed by CRA on the grounds that the Company had not been engaged in any commercial activities (for excise tax purposes only) during the period under audit as it had effectively been functioning as an investment holding company since the April, 2013 refinancing of its investment in Kolwezi Copper Corp. that reduced its interest in that project to 7.4% (*see note*).

As at March 31, 2018, cash of \$10,304 (December 31, 2017 - \$749) was held with reputable financial institutions from which management believes the risk of loss to be minimal.

(b) **Liquidity risk**

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company had a working capital deficiency of \$128,660 (December 31, 2017 - \$147,605). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

(c) **Sensitivity analysis**

The Company operates in Canada and has a presentation and functional currency of CAD dollars. As at March 31, 2018, the USD denominated bank account only had nominal funds on deposit such that the Company had virtually no foreign currency risk.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

10. **FINANCIAL RISK FACTORS, continued**

(d) **Fair value hierarchy**

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments, financial instruments classified as loans and receivables and other financial liabilities approximate their carrying amounts due to their short term maturities. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the interim consolidated statement of financial position, have been prioritized into three levels as per their fair value hierarchy.

The fair value of the Company's financial instruments where financial measurement is required are as follows:

	March 31	December 31
	<u>2018</u>	<u>2017</u>
	\$	\$
Level one		
Cash	10,304	749

11. **CAPITAL MANAGEMENT**

The Company's objective when managing capital is to maintain adequate levels of funding to maintain head office corporate and administrative functions. The Company considers its capital to be its shareholders' equity. The Company manages its capital structure in an effort to provide sufficient funding for its development projects. Funds are primarily secured through equity capital raised by way of private placements and exercise of warrants.

There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company's 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. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management since the year-end. The Company is not subject to externally imposed capital requirements.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

12. **SEGMENTED INFORMATION**

The Company conducts its business in a single operating segment that, subsequent to the sale of the KCC shares in 2016, consists of operating solely as a public shell.

13. **RELATED PARTY TRANSACTIONS (INCLUDING KEY MANAGEMENT COMPENSATION)**

- (a) (i) The Company is billed a monthly fee of \$5,650 (including applicable HST) by a company controlled by the now-former CEO and director for management and administrative services, including the corporate secretary, office rent and regular administrative functions. During the three months ended March 31, 2018, the Company incurred total fees of \$16,950 (March 31, 2017 - \$16,950). As at March 31, 2018, accounts payable and accrued liabilities include \$35,783 (December 31, 2017 - \$39,550) in respect of such fees.
- (ii) The Company is billed a monthly fee of \$2,825 (including applicable HST) by a company controlled by the CFO for services of the CFO. During the three months ended March 31, 2018, the Company incurred total fees of \$8,475 (March 31, 2017 - \$8,475). As at March 31, 2018, accounts payable and accrued liabilities include \$17,892 (December 31, 2017 - \$19,775) in respect of such fees.
- (b) Each independent director receives a quarterly honorarium of \$1,500. Fees recorded for the three months ended March 31, 2018 were \$Nil (March 31, 2017 - \$3,000). As at March 31, 2018, accounts payable and accrued liabilities include \$18,000 (December 31, 2017 - \$18,000) in respect of such fees, all of which were forgiven in April, 2018 are part of the Canntab RTO.

14. **COMMITMENT**

The Company has a contract for management and administrative services (*see note 13(a)(i)*) with a six-month notice period that is billed on a monthly basis at a rate of \$5,000 plus applicable HST.

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

15. **SUBSEQUENT EVENTS**

(a) **Canntab Therapeutics Limited**

- (i) On April 12, 2018, Telferscot Resources Inc. ("Old Telferscot") announced that it had closed a three-cornered amalgamation between 2611780 Ontario Inc. ("Numco"), a wholly owned subsidiary of Old Telferscot, and Canntab Therapeutics Limited ("Old Private") to acquire the issued and outstanding shares of Old Canntab, effectively resulting in a reverse takeover of Old Telferscot by Old Canntab. Under the amalgamation, (a) Old Canntab amalgamated with Numco to become Canntab Therapeutics Subsidiary Limited ("Canntab Private"), (b) Old Telferscot changed its name to Canntab Therapeutics Limited ("New Canntab"), (c) such that this resulted in a corporate structure with Canntab Therapeutics Limited ("New Canntab") as the 100% parent of Canntab Therapeutics Subsidiary Limited ("Canntab Private").
- (ii) Canntab is a Canadian cannabis oral dosage formulation company based in Markham, Ontario, engaged in the research and development of advanced pharmaceutical grade formulations of cannabinoids. Canntab has developed in-house technology to deliver standardized medical cannabis extract from selective strains in a variety of extended/sustained release pharmaceutical dosages for therapeutic use.
- (iii) As a part of the Transaction, the Company consolidated its outstanding common shares on the basis of one post-consolidation common share for every 200 pre-consolidation common shares (each post-consolidation common share, a "Post - Consolidation Share"). In accordance with the terms of the Amalgamation, the Company purchased all of the issued and outstanding common shares of Canntab Private (each, a "Canntab Private Share") on the basis of four Post-Consolidation Shares for each one Canntab Private Share outstanding immediately prior to the Amalgamation.
- (iv) The Canntab private placement that closed by December 29, 2017 of 1,251,914 subscription receipts at a price of \$4.00 per subscription receipt for gross proceeds of \$5,007,656.
- (v) On April 18, 2018, Canntab was approved for listing on the Canadian Stock Exchange (the "CSE") and will commence trading under the ticker symbol "PILL".

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Notes to Interim Consolidated Financial Statements
Three Months Ended March 31, 2018 and 2017
(Stated in \$CAD)
(Unaudited - Prepared by Management)

15. **SUBSEQUENT EVENTS, CONTINUED**

(b) **Plan of Arrangement**

- (i) On April 3, 2018, Old Telferscot announced that it had received final approval from the Ontario Superior Court for its Plan of Arrangement. Old Telferscot has set a Record Date for the resulting distribution of shares of April 4, 2018.
- (ii) Over the course of 2017, Old Telferscot was presented with several potentially accretive transactions which it was actively considering. When presented with the opportunity to change its business and acquire Old Canntab, management of Old Telferscot determined that it would be in the best interests of Old Telferscot to proceed with the Plan of Arrangement so that Old Telferscot shareholders would still have the opportunity to benefit from the other opportunities that had been presented to and were being developed by management. Old Telferscot formed seven new subsidiaries (the “SpinCo” or “SpinCos”) and assigned its rights and interests in (1) six potential transactions, including all letters of intent associated with such transactions and (2) in the Auxico Litigation (*see notes 4(d) and 6*) to these SpinCos.
- (iii) Under the Plan of Arrangement, in exchange for transfer of the above-noted assets to each respective Spinco, Old Telferscot shareholders will receive distributions in the form of shares of each of the seven SpinCos, as follows:

For every 1,000 shares of Old Telferscot owned, Old Telferscot shareholders will receive:

- 100 shares of SpinCo1
 - 20 shares of SpinCo2
 - 20 shares of SpinCo3
 - 20 shares of SpinCo4
 - 100 shares of SpinCo5
 - 20 shares of SpinCo6
 - 200 shares of SpinCo7
- (iv) None of these companies are currently listed for trading on any exchange and as such, the shares are not currently readily saleable. It is the intention of six of the seven companies to complete the planned acquisitions of business as outlined in the Management Information Circular dated March 1, 2018. The seventh company, SpinCo7, will continue to pursue the Company’s legal action against Auxico Resources Canada Inc. and will assume previously incurred professional fees of \$38,230 included in accounts payable and accrued liabilities as at December 31, 2017 with respect such legal action (*see notes 4(d) and 6*).