CANNARA BIOTECH INC.

Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended

May 31, 2020 and 2019
(Unaudited)

CANNARA BIOTECH INC.

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(Unaudited)

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Financial Position
As at May 31, 2020 and August 31, 2019
(Unaudited - in Canadian dollars)

	May 31, 2020	August 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 11,139,496	$ 26,505,992
Restricted cash - share subscription agreements issued by a subsidiary	-	211,000
Lease receivable (note 6)	29,891	-
Accounts receivable	36,124	57,952
Sales tax receivable	479,436	682,139
Biological assets (note 4)	900,513	-
Inventory (note 3)	563,086	186,707
Prepaid expenses and other assets	209,854	184,465
	13,358,400	27,828,255
Lease receivable (note 6)	80,962	-
Deposits	352,153	185,228
Deposits on property, plant and equipment	537,091	548,549
Property, plant and equipment (note 5)	42,774,854	38,650,377
Right-of-use assets (note 6)	502,432	609,709
Intangible asset (note 7)	262,353	281,020
	$ 57,868,245	$ 68,103,138
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,648,347	$ 4,739,820
Liabilities for share subscription agreements issued by a subsidiary	-	211,000
Current portion of long-term debt (note 8)	3,167	-
Deferred lease revenue	28,204	-
Current portion of deferred income (note 13)	21,114	-
Current portion of lease liabilities (note 6)	207,676	139,807
Current portion of mortgages payable (note 8)	6,839,163	-
	9,747,671	5,090,627
Long-term debt (note 8)	6,773	-
Other long-term liabilities	11,689	-
Deferred income (note 13)	488,444	-
Lease liabilities (note 6)	492,121	557,528
Mortgages payable (note 8)	5,520,455	12,526,467
	16,267,153	18,174,622
Shareholders' equity:		
Share capital (note 10)	55,674,965	54,925,997
Shares to be issued (note 10)	104,880	-
Contributed surplus	6,702,412	6,676,783
Deficit	(23,051,054)	(14,427,946)
Accumulated other comprehensive loss	(23,401)	(10,099)
Equity attributable to the shareholders of the Company	39,407,802	47,164,735
Non-controlling interest (note 9)	2,193,290	2,763,781
Total equity	41,601,092	49,928,516
Contingencies (note 20)		
Subsequent events (note 21)		
	$ 57,868,245	$ 68,103,138

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
For the three and nine-month periods ended May 31, 2020 and 2019
(Unaudited - in Canadian dollars)

	Three-month periods ended		Nine-month periods ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Revenue				
Lease revenues	$ 710,272	$ 506,785	$ 1,879,280	$ 1,543,666
Product revenues – hemp-based CBD	41,237	-	54,312	-
Other income	12,397	-	31,996	-
	763,906	506,785	1,965,588	1,543,666
Cost of sale				
Lease operating costs	87,671	221,157	307,655	355,531
Cost of goods sold – hemp-based CBD	29,607	-	41,477	-
	117,278	221,157	349,132	355,531
Unrealized gain on changes in fair value of biological assets (note 4)	69,113	-	69,113	-
	715,741	285,628	1,685,569	1,188,135
Operating expenses				
Salaries and benefits	533,642	686,839	2,448,823	1,967,666
General and administrative	378,116	340,845	1,991,211	966,271
Research and development (note 14)	1,340,833	-	1,938,883	-
Professional fees	280,767	1,052,434	1,105,223	2,554,469
Sales and marketing costs	261,227	34,650	660,966	502,349
Regulatory and investor relations	67,092	225,466	362,377	373,776
Share-based compensation (note 11)	25,064	430,224	303,872	990,910
Amortization of property, plant and equipment (note 5)	32,633	109,782	1,155,333	316,845
Amortization of right-of-use assets (note 6)	52,994	40,647	146,296	100,607
Amortization of intangible asset (note 7)	28,027	-	65,527	-
Gain on sublease on initial recognition (note 6)	(25,894)	-	(25,894)	-
	2,974,501	2,920,887	10,152,617	7,772,893
Operating loss	(2,258,760)	(2,635,259)	(8,467,048)	(6,584,758)
Listing expense related to the reverse acquisition of Dunbar Capital Corp.	-	-	-	1,875,243
Net finance expense (note 15)	248,343	187,416	718,127	679,826
Net loss	(2,507,103)	(2,822,675)	(9,185,175)	(9,139,827)
Other comprehensive loss:				
Foreign currency translation adjustments	(6,159)	2,507	(21,726)	2,507
Total comprehensive loss	$ (2,513,262)	$ (2,820,168)	$ (9,206,901)	$ (9,137,320)
Net loss attributable to:				
Shareholders of the Company	$ (2,374,841)	$ (2,554,316)	$ (8,623,108)	$ (8,737,859)
Non-controlling interest	(132,262)	(268,359)	(562,067)	(401,968)
	$ (2,507,103)	$ (2,822,675)	$ (9,185,175)	$ (9,139,827)
Total comprehensive loss attributable to:				
Shareholders of the Company	$ (2,378,612)	$ (2,552,759)	$ (8,636,410)	$ (8,736,302)
Non-controlling interest	(134,650)	(267,409)	(570,491)	(401,018)
	$ (2,513,262)	$ (2,820,168)	$ (9,206,901)	$ (9,137,320)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of outstanding shares	711,167,444	694,751,307	708,360,851	586,543,983

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Changes in Equity
For the nine-month periods ended May 31, 2020 and 2019
(Unaudited - in Canadian dollars)

	Attributable to the shareholders of the Company								
	Shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total	Non-controlling interest	Total equity
As at August 31, 2019	706,770,705	$ 54,925,997	$ -	$ 6,676,783	$ (14,427,946)	$ (10,099)	$ 47,164,735	$ 2,763,781	$ 49,928,516
Net loss and comprehensive loss	-	-	-	-	(8,623,108)	-	(8,623,108)	(562,067)	(9,185,175)
Other comprehensive loss:									
Foreign currency translation adjustments	-	-	-	-	-	(13,302)	(13,302)	(8,424)	(21,726)
Comprehensive loss	-	-	-	-	(8,623,108)	(13,302)	(8,636,410)	(570,491)	(9,206,901)
Share-based compensation (note 11):									
Employee compensation	-	-	-	367,075	-	-	367,075	-	367,075
Other services	-	-	-	(41,198)	-	-	(41,198)	-	(41,198)
	-	-	-	325,877	-	-	325,877	-	325,877
Warrants exercised (note 10)	4,856,000	748,968	-	(263,368)	-	-	485,600	-	485,600
Warrants exercised - shares to be issued (note 10)	-	-	104,880	(36,880)	-	-	68,000	-	68,000
As at May 31, 2020	711,626,705	$ 55,674,965	$ 104,880	$ 6,702,412	$ (23,051,054)	$ (23,401)	$ 39,407,802	$ 2,193,290	$ 41,601,092

	Attributable to the shareholders of the Company							
	Shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total	Non-controlling interest	Total equity
As at August 31, 2018	476,667,330	$ 15,853,968	$ 1,001,350	$ (2,112,897)	$ -	$ 14,742,421	$ -	$ 14,742,421
Net loss	-	-	-	(8,737,859)	-	(8,737,859)	(401,968)	(9,139,827)
Other comprehensive loss:								
Foreign currency translation adjustments	-	-	-	-	1,557	1,557	950	2,507
Comprehensive loss	-	-	-	-	1,557	(8,736,302)	(401,018)	(9,137,320)
Share-based compensation:								
Employee compensation	-	-	836,830	-	-	836,830	-	836,830
Other services	-	-	424,080	-	-	424,080	-	424,080
	-	-	1,260,910	-	-	1,260,910	-	1,260,910
Warrants exercised	950,000	146,524	(51,524)	-	-	95,000	-	95,000
Subscription receipts exercised	207,640,375	37,375,268	-	-	-	37,375,268	-	37,375,268
Issuance of shares in connection with the reverse acquisition of Dunbar Capital Corp.	9,513,000	1,712,340	-	-	-	1,712,340	-	1,712,340
Share issuance costs	-	(2,314,986)	-	-	-	(2,314,986)	-	(2,314,986)
Changes in ownership interest:								
Issuance of shares by a subsidiary	-	-	3,267,917	-	-	3,267,917	3,426,932	6,694,849
As at May 31, 2019	694,770,705	$ 52,773,114	$ 5,478,653	$ (10,850,756)	$ 1,557	$ 47,402,568	$ 3,025,914	$ 50,428,482

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Cash Flows
For the three and nine-month periods ended May 31, 2020 and 2019
(Unaudited - in Canadian dollars)

	Three-month periods ended		Nine-month periods ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Cash provided by (used in):				
Operating:				
Net loss	$ (2,507,103)	$ (2,822,675)	$ (9,185,175)	$ (9,139,827)
Items not involving cash:				
Unrealized gain on changes in fair value of biological assets (note 4)	(69,113)	-	(69,113)	-
Amortization of property, plant and equipment (note 5)	525,115	109,782	1,647,815	316,845
Amortization of right-of-use assets (note 6)	52,994	40,647	146,296	100,607
Amortization of intangible asset (note 7)	28,027	-	65,527	-
Gain on sublease initial recognition (note 6)	(25,894)	-	(25,894)	-
Interest on lease liability	39,812	37,409	111,003	96,236
Interest expense	284,267	455,205	902,802	1,033,881
Interest income	(31,782)	(261,943)	(243,002)	(460,764)
Share-based compensation (note 11)	47,069	430,224	325,877	990,910
Amortization of mortgages financing costs (note 15)	20,552	3,821	34,890	10,919
Listing expense related to the reverse acquisition of Dunbar Capital Corp.	-	-	-	1,701,282
Net change in non-cash operating working capital items (note 18):	(415,127)	(688,427)	(572,271)	(994,158)
	(2,051,183)	(2,695,957)	(6,861,245)	(6,344,069)
Financing:				
Issuance of common shares	-	-	-	37,375,268
Issuance of shares by a subsidiary	-	5,592,849	-	6,694,849
Share issuance costs	-	(25,316)	-	(2,044,986)
Warrants exercised (note 10)	165,600	8,200	485,600	95,000
Warrants exercised - shares to be issued (note 10)	68,000	-	68,000	-
Proceeds from mortgage (note 8)	-	-	6,000,000	-
Mortgage payments (note 8)	(75,000)	-	(6,175,000)	-
Mortgage issuance costs	-	-	(26,739)	-
Deferred share issuance costs	-	23,937	-	-
Interest paid (note 8)	(353,199)	(455,205)	(814,859)	(1,033,881)
Lease payments (note 6)	(82,499)	(65,410)	(231,379)	(165,940)
	(277,098)	5,079,055	(694,377)	40,920,310
Investing:				
Deposits on property, plant and equipment	(359,015)	(390,880)	11,458	(1,021,782)
Acquisitions of property, plant and equipment (note 5)	(791,177)	(7,200,214)	(7,892,574)	(15,863,905)
Acquisition of intangible assets (note 7)	20,319	(123,145)	(133,895)	(189,701)
Interest received	49,565	261,943	235,594	460,764
	(1,080,308)	(7,452,296)	(7,779,417)	(16,614,624)
Net change in cash	(3,408,589)	(5,069,198)	(15,335,039)	17,961,617
Effect of foreign exchange on cash	(11,710)	2,507	(31,457)	2,507
Cash acquired from reverse acquisition of Dunbar Capital Corp.	-	-	-	11,058
Cash, beginning of period	14,559,795	35,941,545	26,505,992	12,899,672
Cash, end of period	$ 11,139,496	$ 30,874,854	$ 11,139,496	$ 30,874,854

See accompanying notes to condensed interim consolidated financial statements.

1. Nature of operations

Cannara Biotech Inc. (hereafter the "Company" or "Cannara") is an emerging vertically integrated cannabis company focused on indoor cultivation, processing and sale of premium dried cannabis and cannabis derivates under *The Cannabis Act* and will offer its product to consumers in Québec and throughout Canada. The Company is domiciled in Canada and was incorporated under the laws of British Columbia on October 19, 2017. Its head office is located at 333 Décarie, Suite 200, Ville St-Laurent, Québec, H4N 3M9. The Company's common shares are listed under the symbol "LOVE" on the Canadian Stock Exchange in Canada, "LOVFF" on the OTCQB Venture Market in the United States and "8CB" on the Frankfurt Stock Exchange in Germany.

The Company has finalized the construction of 170,000 square feet of its purpose-built modern and secure 625,000 square feet indoor cultivation facility ("Farnham Facility") and, through its subsidiary, Cannara Biotech (Québec) Inc., has obtained its licence from Health Canada to cultivate and process cannabis effective January 31, 2020. The cannabis operations are now fully in operations.

Cannara has only generated limited hemp-based CBD product revenues from its U.S. operations and none from its planned principal Canadian operations (refer to note 16) as cultivation activities were only launched in February 2020. The Company has incurred net losses of approximately $9.2 million during the nine-month period ended May 31, 2020 (2019 - $9.1 million) and has a deficit of approximately $23 million as at May 31, 2020 (2019 - $14.4 million). The Company expects that its existing cash resources of $11.1 million as at May 31, 2020, along with the new credit facility entered into subsequent to year end, will enable it to fund its planned operating expenses for at least the next twelve months from May 31, 2020.

The Company expects to incur continued operating losses for the foreseeable future until such time as significant revenue from product sales are generated. The Company expects to finance its operations through existing cash, and/or a combination of public or private equity and debt financings (including mortgage re-financings) or other sources, which may include collaborations with third parties. The ability of the Company to ultimately achieve future profitable operations is dependent upon the successful development of its product pipeline and the successful sale and commercialization of its products.

1. Nature of operations (continued)

COVID-19

The COVID-19 outbreak has been declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and provincial 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 disruptions to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The success of these interventions is not currently determinable. 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. Currently, the effects of COVID-19 have had limited impact on our business, however, the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and on our business is not known at this time.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on July 24, 2020.

(b) Basis of preparation

These condensed interim consolidated financial statements were prepared using the same accounting policies as set forth in Note 2 in the audited financial statements of the Company for the year ended August 31, 2019, except as described below. These condensed interim consolidated financial statements do not include all the notes required in annual financial statements. Therefore, these condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company for the year ended August 31, 2019.

The preparation of the Company’s condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of expenditures, assets and liabilities. Actual results could differ from those estimates.

2. Basis of preparation and significant accounting policies (continued)

(b) Basis of preparation (continued)

On an ongoing basis, estimates and judgements are evaluated. The Company bases its estimates on the most probable set of economic conditions and planned course of action, historical experience, known trends and events, and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which these estimates are revised and in any future periods affected.

The accounting policies and critical accounting judgments and key sources of estimate uncertainty are consistent with those in the audited consolidated financial statements and notes thereto to the Company for the year ended August 31, 2019, except as disclosed below.

(c) Leases

When the Company is an intermediate lessor, it accounts for its interests in the lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the lease, not with reference to the underlying asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards from the right-of-use asset resulting from the lease; otherwise, it is classified as an operating lease.

For sublease classified as finance lease, the Company derecognises the right-of-use asset to the extent that it is subject to the sublease and a lease receivable is recognised to reflect the net investment in the finance lease. Any difference between the right-of-use assets and the net investment in the finance sublease is recognised in the consolidated statement of loss and comprehensive loss. On initial recognition, the net investment in the finance lease is measured at an amount equal to the present value of the lease payments for the underlying right-of-use assets during the lease term. The Company recognises finance income over the lease term, based on a pattern reflecting a constant period rate of return on the Company’ net investment in the lease.

2. Basis of preparation and significant accounting policies (continued)

(d) Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. These biological assets are measured at fair value less costs to sell, which becomes the initial basis for the cost of finished goods inventories after harvest. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour for personnel directly and indirectly related to growing cannabis plants, nutrients, supplies, materials, utilities, property taxes, insurance, security, share-based compensation expenses, depreciation and overhead costs to the extent it is related to the growing space.

Unrealized fair value gains or losses on growth of biological assets are recorded in a separate line on the face of the statements of loss and comprehensive loss and subsequently transferred to inventory at the point of harvest.

(e) Property, plant and equipment

Amortization is calculated using the following useful life method over the estimated useful life of the assets as follows:

	Useful life method	Term
Land	Indefinite	Indefinite
Building	Straight-line	10 - 30 years
Facility production equipment	Straight-line	10 years
Computer equipment and software	Straight-line	3 - 6 years
Vehicles	Straight-line	5 years
Furniture and fixtures	Straight-line	5 - 10 years

(f) Government grants

Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable certainty based on management's judgment that the government grant will be received. Government grants are recognized in other income on a systematic basis as the Company recognizes the costs that the grants are intended to compensate.

(Unaudited - in Canadian dollars)

2. Basis of preparation and significant accounting policies (continued)

(g) Research and development

Research and development expenditures are recognized as an expense in the period in which they are incurred. Research and development expenditures include employee salaries and benefits, professional fees, materials and attributable indirect costs to the Company's initial harvests as the Company uses the data generated from these plants to adjust various factors in the cultivation process with the objective to maximize yield and streamline the production process.

(h) **New critical accounting judgment**

Valuation of Biological Assets and Inventory

Biological assets, consisting solely of plants, are measured at fair value less costs to sell up to the point of harvest. Determination of the fair values of the biological assets requires the Company to make a number of estimates, including estimating sales price, cost to complete and cost to sell, the stage of completion in the production process, expected plant loss and expected yield per cannabis plant. As the valuation of biological assets becomes the basis for the cost of finished inventory after harvest, this is also a significant estimate for the valuation of inventory.

3. Inventory

Inventory consists of the following:

	May 31, 2020	August 31, 2019
Raw materials - cultivation and supplies	$ 342,380	$ -
Finished goods - hemp-based CBD products	220,706	186,707
	$ 563,086	$ 186,707

The amounts of inventory expensed as cost of goods sold during the three and nine-month periods ended May 31, 2020 were $29,607 and $41,477 (2019 - nil) and are related to the sale of hemp-based CBD products.

4. Biological assets

The Company's biological assets consist of cannabis plants up to the point of harvest. The changes in the carrying values of biological assets are as follows:

		May 31, 2020
Carrying amount, beginning of period	$	-
Production costs capitalized		831,400
Net change in fair value due to biological transformation, less cost to sell		69,113
Transferred to inventory upon harvest		-
Carrying amount, end of period	$	900,513

The estimates used in determining the fair value of cannabis plants are as follows:

- expected average wholesale selling price per gram of harvested cannabis ;
- expected cost to complete and cost to sell;
- stage of completion in the production process (days remaining until harvest);
- expected plant loss based on their various stages of growth; and
- expected yield by plant.

The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the time incurred as a percentage of total weeks of growth as applied to estimated total fair value per gram (less costs to complete and costs to sell) to arrive at an in-process fair value for estimated biological assets, which have not yet been harvested.

Because there are no actively traded commodity market for plants and dried product, the valuation of the biological assets is obtained using valuations techniques where the inputs are based upon unobservable market data and are classified as level 3 in the fair market value hierarchy. There have been no transfer between levels as at May 31, 2020.

(Unaudited - in Canadian dollars)

4. Biological assets (continued)

Management's identified significant unobservable inputs, their values and sensitivity analysis are presented in the tables below.

The income approach calculates the present value of expected future cash flows from the Company's biological assets using the following inputs the period ended May 31, 2020:

Unobservable inputs	Input values	Sensitivity analysis
Average wholesale selling price Represents the average expecting wholesale selling price per gram of dried cannabis, net of excise taxes, where applicable, which is expected to approximate future wholesale selling prices.	$2.50 per gram	An increase or decrease of 5% applied to the average wholesale selling price would result in a change of approximately $78,000 to the valuation.
Yield per plant Represent the average number of grams of dried cannabis expected to be harvested from each cannabis plant.	40 grams per plant	An increase or decrease of 5% applied to the average yield per plant would result in a change of approximately $45,000 to the valuation.
Stage of completion Calculated by taking the average number of days in the cultivation cycle over the total estimated duration of a cultivation cycle which is currently approximately 14 weeks from clone to harvest.	weighted average stage of completion is 46%	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately $45,000 to the valuation.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

As at May 31, 2020, it is expected that the Company's biological assets will yield approximately 1,272 kilograms of dried cannabis when harvested.

(Unaudited - in Canadian dollars)

5. Property, plant and equipment

	Land	Building	Facility production equipment	Computer equipment and software	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Balance as at August 31, 2019	$ 1,104,963	$ 11,916,257	$ -	$ 53,382	$ -	$ 66,565	$ 26,019,310	$ 39,160,477
Additions	-	25,565,776	3,832,317	1,135,800	9,940	1,247,769	(26,019,310)	5,772,292
Balance as at May 31, 2020	$ 1,104,963	$ 37,482,033	$ 3,832,317	$ 1,189,182	$ 9,940	$ 1,314,334	$ -	$ 44,932,769
Accumulated depreciation								
Balance as at August 31, 2019	$ -	$ (480,232)	$ -	$ (14,604)	$ -	$ (15,264)	$ -	$ (510,100)
Amortization	-	(1,153,144)	(248,512)	(145,944)	(55)	(100,160)	-	(1,647,815)
Balance as at May 31, 2020	$ -	$ (1,633,376)	$ (248,512)	$ (160,548)	$ (55)	$ (115,424)	$ -	$ (2,157,915)
Net book value								
Balance as at August 31, 2019	$ 1,104,963	$ 11,436,025	$ -	$ 38,778	$ -	$ 51,301	$ 26,019,310	$ 38,650,377
Balance as at May 31, 2020	1,104,963	35,848,657	3,583,805	1,028,634	9,885	1,198,910	-	42,774,854

During the three-month periods ended May 31, 2020, the Company recognized $525,115 as depreciation expense (2019 - $109,782), of which $32,633 has been recognized in the consolidated statement of loss and comprehensive loss, $181,330 has been included in cannabis valuation calculation (note 4) and $311,152 in research and development (note 14) (2019 - $109,782, nil and nil, respectively).

During the nine-month periods ended May 31, 2020, the Company recognized $1,647,815 as depreciation expense (2019 - $316,845), of which $1,155,333 has been recognized in the consolidated statement of loss and comprehensive loss and $181,330 has been included in cannabis valuation calculation (note 4) and $311,152 in research and development (note 14) (2019 - $316,845, nil and nil, respectively).

(Unaudited - in Canadian dollars)

6. Right-of-use assets and lease liabilities

Right-of-use assets:

Cost		
Balance as at August 31, 2019	$	775,611
Additions		122,838
Derecognition of portion related to sublease agreement [(i)]		(132,669)
Balance as at May 31, 2020	$	765,780
Accumulated depreciation		
Balance as at August 31, 2019	$	(165,902)
Amortization		(146,296)
Derecognition of portion related to sublease agreement [(i)]		48,850
Balance as at May 31, 2020	$	(263,348)
Net book value		
Balance as at August 31, 2019	$	609,709
Balance as at May 31, 2020		502,432

(i) Sublease agreement

On May 21, 2020, the Company and a third party entered into a sublease agreement to lease a portion of the Company's head office location. The Company is entitled to equal monthly payment of $4,111 up to the term of the agreement on May 31, 2023. The Company has classified the sublease as a finance lease, because the sub-lease is for the whole of the remaining term on the head lease.

On initial recognition, the portion of the original right-of-use asset subleased for a net total of $83,819 has been derecognized and a lease receivable was recognized of $109,713 in counterparty, which resulted in a gain of $25,894.

(Unaudited - in Canadian dollars)

6. Right-of-use assets and lease liabilities (continued)

Lease liabilities:

	May 31, 2020	August 31, 2019
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	$ 321,351	$ 263,327
One to five years	593,749	735,065
Total undiscounted lease liabilities	$ 915,100	$ 998,392
Current	$ 207,676	$ 139,807
Non-current	492,121	557,528
Lease liabilities included in the statement of financial position	$ 699,797	$ 697,335

Balance as at August 31, 2019	$ 697,335
Additions	122,838
Rent paid	(231,379)
Interest on lease liabilities	111,003
Balance as at May 31, 2020	$ 699,797

7. Intangible asset

Net carrying value, August 31, 2019	$ 281,020
Additions	37,129
Amortization	(65,527)
Foreign currency translation adjustments	9,731
Net carrying value, May 31, 2020	$ 262,353

The intangible asset relates to the e-commerce platform, ShopCBD.com, which is amortized over its estimated useful life of 3 years.

(Unaudited - in Canadian dollars)

8. Mortgages payable and long-term debt

(a) Mortgages payable

Net carrying value, August 31, 2019	$ 12,526,467
Proceeds from mortgage	6,000,000
Payment of mortgage	(6,175,000)
Addition of deferred mortgage issuance costs	(26,739)
Amortization of deferred mortgage issuance costs	34,890
Net carrying value, May 31, 2020	$ 12,359,618

	May 31, 2020	August 31, 2019
Mortgage payable, bearing interest at 13% per annum due monthly, repayable entirely in a lump sum on September 6, 2021 (note 21) (i)	$ 6,550,000	$12,550,000
Less: unamortized financing costs	(10,837)	(23,533)
	6,539,163	12,526,467
Mortgage payable, bearing interest at prime plus 2% per annum due monthly, repayable over 240 equal installments, ending on October 9, 2039 (ii)	5,825,000	-
Less: unamortized financing costs	(4,545)	-
	5,820,455	-
Short-term portion of mortgages payable	(6,839,163)	-
Long-term mortgages payable	$ 5,520,455	$12,526,467

8. Mortgages payable and long-term debt (continued)

(a) Mortgages payable (continued)

(i) The mortgage is secured by a second ranking hypothec on the land and building and by an additional hypothec equal to 20% of the balance of purchase of the land and building. During the three and nine-month periods ended May 31, 2020, the Company recognized $214,624 and $693,395 as interest expense (2019 - $348,611 and $1,033,881, respectively). As at May 31, 2020, accrued interest of $72,319 were included in accounts payables and accrued liabilities (2019 - $117,248).

(ii) On October 9, 2019, the Company obtained a first ranking mortgage against its Farnham Facility at the value of $6,000,000 with a Canadian financial institution at an interest rate of prime plus 2%. As at May 31, 2020, the interest rate related to this mortgage was 4.45%. The funds received from the mortgage were applied to reduce the principal amount owing under the existing mortgage bearing an interest rate of 13%. The mortgage is secured by a guarantee executed by a related party. The mortgage also contains a financial covenant requiring the Company to maintain a debt service ratio of no less than 1.25 to 1.0 at each year-end.

During the three and nine-month periods ended May 31, 2020, the Company recognized $69,643 and $209,407 as interest expense (2019 - nil). As at May 31, 2020, accrued interests of $15,624 were included in account payables and accrued liabilities (2019 - nil).

(b) Long term debt

In May 2020, the Company also entered into a long-term agreement for the purchase of certain equipment. Balance will be reimbursed monthly over 36 equal installments and does not bear any interest. Fair value on initial recognition has been determined using the Company’s incremental borrowing rate.

(Unaudited - in Canadian dollars)

9. Non-controlling interest ("NCI")

The following table summarizes the information about the Company's subsidiary, Global ShopCBD.com (consolidated) that have NCI, before any intragroup eliminations:

	May 31, 2020
Cash	$ 4,934,912
Accounts receivable	3,233
Sales taxes receivable	6,990
Inventory	220,706
Prepaid expenses	12,218
Intangible asset	262,353
Amount due from the parent company	578,251
Accounts payable and accrued liabilities	(361,619)
Net assets	$ 5,657,044

	For the nine-month period ended May 31, 2020
Revenues	$ 54,312
Cost of goods sold	(41,477)
Operating expenses	(1,636,694)
Net finance income	174,147
Net loss	(1,449,712)
Foreign currency translation adjustments	(21,726)
Comprehensive loss	$ (1,471,438)
Non-controlling interest	38.77%
Carrying amount of NCI	$ 2,193,290
Loss allocated to NCI	(562,067)
Comprehensive loss allocated to NCI	(570,491)
Cash flows used in operating activities	$ (1,276,811)
Cash flows used in financing activities	(1,223,719)
Cash flows used in investing activities	(133,895)
Effect of foreign exchange on cash	(31,457)
Net decrease in cash	$ (2,665,882)

10. Share capital

(a) Authorized

The Company has an unlimited number of voting and participating common shares.

(b) Transactions on share capital

On October 12, 2018, October 19, 2018, and November 28, 2018, the Company issued a total of 207,640,374 subscription receipts at a price of $0.18 per subscription receipt on a private placement basis, with each subscription receipt representing the right to receive one common share without payment of additional consideration, subject to certain conditions, which include the successful listing of the Company on the Canadian Securities Exchange. On January 14, 2019, the Company had met all the conditions and the Company issued 207,640,374 common shares.

On December 18, 2018, as a result of the reverse acquisition with Dunbar Capital Corp., 15,000 Class A and 476,652,330 Class B common shares were converted into 476,667,330 ordinary common shares.

During the nine-month period ended May 31, 2019, 950,000 warrants were exercised at a price of $0.10 per warrant for an aggregate consideration of $95,000.

During the nine-month period ended May 31, 2020, 4,856,000 warrants were exercised at a price of $0.10 per warrant for an aggregate consideration of $485,600. As at May 31, 2020, the Company also received $68,000 for the exercise of 680,000 warrants for which shares were not yet issued.

11. Share-based compensation

The Company has established a share option plan whereby certain employees, directors and consultants may be granted options to acquire shares under the terms of the employee share option plan or shares may be granted to third parties in exchange for services. The number and characteristics of share options granted under the employee share option plan are determined by the Board of Directors of the Company but cannot exceed 10% of the outstanding balance of shares issued. The characteristics of share options granted to third parties for services are determined on a case-by-case basis.

The share options granted under the employee share option plan vest 25% after the first anniversary of the grant date with the remainder vesting in 36 monthly consecutive equal installments and expire five years from the date of issue. The plan provides for the issuance of common shares at an exercise price determined by the Board of Directors which is not lower than the fair value of the common shares on the grant date.

(Unaudited - in Canadian dollars)

11. Share-based compensation (continued)

Outstanding options under the plan are granted with service requirements (or service conditions) and become exercisable upon vesting. The share options granted to directors and third parties for services have vesting terms determined on a case-by-case basis.

The following table shows the change in stock options:

	Number	Weighted average exercise price
Outstanding, August 31, 2019	39,029,424	$ 0.20
Granted	1,755,000	0.18
Forfeited	(3,168,860)	0.18
Expired	(3,917,395)	0.18
Outstanding, May 31, 2020	33,698,169	$ 0.20
Exercisable, May 31, 2020	23,225,275	$ 0.24

During the first quarter ended November 30, 2019, the Company granted 840,000 options that vest in accordance to the employee share option plan and 100,000 options that vest immediately.

During the second quarter ended February 29, 2020, the Company granted 505,000 options that vest in accordance to the employee share option plan and 150,000 options that vest immediately.

During the third quarter ended May 31, 2020, the Company granted 160,000 options that vest in accordance to the employee share option plan.

The share options forfeited relate to the options held by directors and/or employees that are no longer part of the Company and by consultants that do not continue to provide services to the Company.

The estimated fair value of the share options was measured using the Black-Scholes option pricing model based on the following weighted average assumptions:

Granted	Nine-month period ended May 31, 2020
Share price	$ 0.14
Exercise price	$ 0.18
Risk-free interest rate	1.38 %
Expected life	5 years
Expected price volatility of the Company's shares	1.12 %
Expected dividend yield	nil
Fair value of the option	$ 0.11

(Unaudited - in Canadian dollars)

11. Share-based compensation (continued)

During the three-month period ended May 31, 2020, a total of $47,069 (2019 – $430,224) was recognized as share-based compensation expense, of which $25,064 was recognized in the consolidated statement of loss and comprehensive loss, $7,945 was included in cannabis valuation calculation (note 4) and $14,060 in research and development (note 14) (2019 - $430,224 and nil, respectively).

During the nine-month period ended May 31, 2020, a total of $325,877 (2019 – $990,910) was recognized as share-based compensation expense, of which $303,872 was recognized in the consolidated statement of loss and comprehensive loss, $7,945 was included in cannabis valuation calculation (note 4) and $14,060 in research and development (note 14) (2019 - $990,910 and nil, respectively).

All options are anti-dilutive.

12. Warrants

Outstanding warrants were issued as part of services received related to issuance of common shares. The warrants become exercisable immediately upon issuance and expire on the second anniversary after the date of issuance. The warrants expire between June 20, 2020 and July 12, 2020 (note 21).

The following table shows the change in warrants:

	Number	Exercise price
Outstanding, August 31, 2019	14,948,710	$ 0.10
Exercised	(4,856,000)	0.10
Outstanding, May 31, 2020	10,092,710	$ 0.10
Exercisable, May 31, 2020	10,092,710	$ 0.10

During the nine-month period ended May 31, 2020, the Company recorded an increase in share capital of $748,968 and a decrease of $263,368 in contributed surplus as a result of the exercise of 4,856,000 warrants.

(Unaudited - in Canadian dollars)

13. Other income

Other income consists of the following:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Government grants [(i)]	$ 12,397	$ -	$ 14,496	$ -
Other	-	-	17,500	-
	$ 12,397	$ -	$ 31,996	$ -

[(i)] The Company has received various government grants related to the matters described below.

As part of its environmental initiatives incorporated into the operations at the Farnham facility, the Company had been granted a first tranche for $416,458 for the assets purchased in exchange for a 10 year commitment on its environmental footprint reduction initiatives. In addition, the Company may be granted an additional tranche that would be estimated to be up to 25% of the initial amount received if certain requirements of the application are satisfied. The amount has been recognized as deferred income and is being recognized as other income based on the useful life of the assets related to this grant. In June 2020, as part of the COVID-19 incentives provided to companies, the government of Québec enhanced some of its government grants previously applied by the Company. As such, the Company had been granted an additional amount of approximately $27,000.

The Company had also been granted a total of $96,691 in government grants for the assets purchased in relation to other energy savings initiatives at the Farnham facility. The amount has been recognized as deferred income and is being recognized as other income based on the useful life of the assets related to this grant.

Other government incentives have also been granted for a total of $10,906, which have been recognized as other income.

There are no remaining unfulfilled conditions regarding those other grants.

14. Research and development

As part of its Canadian Operations (note 16), the Company had conducted certain activities related to research and development.

During the nine-month period ended May 31, 2020, the Company's cultivation and compliance staff researched, tested and developed cultivation methodologies that are expected to generate increased yield and quality which will facilitate the commercialization of a premium cannabis product.

(Unaudited - in Canadian dollars)

14. Research and development (continued)

The Company received its license to cultivate and process cannabis on January 31, 2020, and as a result, planted its first crops in February 2020 which were harvested during the third quarter of 2020. These initial research and cultivation activities in addition to ongoing experimentation on lots have been considered as research and development. All costs related to these activities, including material and labor costs related to plant inventory, have been expensed as incurred.

15. Net finance expense

	Three-month periods ended		Nine-month periods ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Interest income	$ 31,317	$ 201,979	$ 242,537	$ 460,764
Foreign exchange gain	72,082	446	99,225	446
Finance income	103,399	202,425	341,762	461,210
Interest on mortgage	284,267	348,611	902,802	1,033,881
Amortization of mortgage financing costs	20,552	3,821	34,890	10,919
Interest on lease liabilities	39,812	37,409	111,003	96,236
Other finance expense	7,111	-	11,194	-
Finance expense	351,742	389,841	1,059,889	1,141,036
Net finance expense	$ 248,343	$ 187,416	$ 718,127	$ 679,826

16. Segment disclosures

(a) Reportable segments

The Company operates in two segments: (1) Indoor cannabis operations which encompasses the cultivation, processing and sale of premium dried cannabis and cannabis derivatives exclusively for the Québec and Canadian market (Canadian operations); and (2) E-commerce retailer of curated selection of top tier U.S. hemp-based CBD products exclusively for the U.S. market. (U.S. operations).

The chief operating decision-maker assesses performance based on segment operating results which were defined as segment loss before listing expense, share-based compensation, amortization, net finance expense and income tax. Ancillary other income, lease revenues, lease operating costs and amortization have been categorized as Other. The accounting policies of the segments are the same as those described in Note 3 of the audited financial statements of the Company for the year ended August 31, 2019 and note 2 of these condensed consolidated financial statements.

(Unaudited - in Canadian dollars)

16. Segment disclosures (continued)

(a) Reportable segments (continued)

	Three-month period ended May 31, 2020				Three-month period ended May 31, 2019			
	Canadian operations	U.S. operations	Other	Total	Canadian operations	U.S. operations	Other	Total
Revenues:								
Lease revenues	$ -	$ -	$ 710,272	$ 710,272	$ -	$ -	$ 506,785	$ 506,785
Product revenues – hemp-based CBD	-	41,237	-	41,237	-	-	-	-
Other income	12,397	-	-	12,397	-	-	-	-
	12,397	41,237	710,272	763,906	-	-	506,785	506,785
Cost of sale:								
Lease operating costs	-	-	87,671	87,671	-	-	221,157	221,157
Cost of goods sold – hemp-based CBD	-	29,607	-	29,607	-	-	-	-
	-	29,607	87,671	117,278	-	-	221,157	221,157
Unrealized gain on changes in fair value of biological assets	69,113	-	-	69,113	-	-	-	-
Segment gross profit	81,510	11,630	622,601	715,741	-	-	285,628	285,628
Operating expenses (gain)	2,466,415	395,262	(25,894)	2,835,783	1,812,406	527,828	-	2,340,234
Segment operating (loss) income	(2,384,905)	(383,632)	648,495	(2,120,042)	(1,812,406)	(527,828)	285,628	(2,054,606)
Share-based compensation	-	-	25,064	25,064	-	-	430,224	430,224
Amortization	-	-	113,654	113,654	-	-	150,429	150,429
Net finance expense	-	-	248,343	248,343	-	-	187,416	187,416
Net (loss) income	$ (2,384,905)	$ (383,632)	$ 261,434	$ (2,507,103)	$ (1,812,406)	$ (527,828)	$ (482,441)	$ (2,822,675)

(Unaudited - in Canadian dollars)

16. Segment disclosures (continued)

(a) Reportable segments (continued)

	Nine-month period ended May 31, 2020				Nine-month period ended May 31, 2019			
	Canadian operations	U.S. operations	Other	Total	Canadian operations	U.S. operations	Other	Total
Revenues:								
Lease revenues	$ -	$ -	$ 1,879,280	$ 1,879,280	$ -	$ -	$ 1,543,666	$ 1,543,666
Product revenues – hemp-based CBD	-	54,312	-	54,312	-	-	-	-
Other income	14,496	-	17,500	31,996	-	-	-	-
	14,496	54,312	1,896,780	1,965,588	-	-	1,543,666	1,543,666
Cost of sale:								
Lease operating costs	-	-	307,655	307,655	-	-	355,531	355,531
Cost of goods sold – hemp-based CBD	-	41,477	-	41,477	-	-	-	-
	-	41,477	307,655	349,132	-	-	355,531	355,531
Unrealized gain on changes in fair value of biological assets	69,113	-	-	69,113	-	-	-	-
Segment gross profit	83,609	12,835	1,589,125	1,685,569	-	-	1,188,135	1,188,135
Operating expenses (gain)	6,989,199	1,518,284	(25,894)	8,481,589	5,378,252	986,279	-	6,364,531
Segment operating (loss) income	(6,905,590)	(1,505,449)	1,615,019	(6,796,020)	(5,378,252)	(986,279)	1,188,135	(5,176,396)
Listing expense related to the reverse acquisition of Dunbar Capital Corp.	-	-	-	-	-	-	1,875,243	1,875,243
Share-based compensation	-	-	303,872	303,872	-	-	990,910	990,910
Amortization	-	-	1,367,156	1,367,156	-	-	417,452	417,452
Net finance expense	-	-	718,127	718,127	-	-	679,826	679,826
Net loss	$ (6,905,590)	$ (1,505,449)	$ (774,136)	$ (9,185,175)	$ (5,378,252)	$ (986,279)	$ (2,775,296)	$ (9,139,827)

(Unaudited - in Canadian dollars)

16. Segment disclosures (continued)

(b) Entity-wide disclosures

All property, plant and equipment are located in Canada and are held within the Canadian operations segment. All intangible assets are located in the United States and are held within the U.S. operations segment.

(c) Other sources of revenue

The Company leased 423,551 square feet of the total 625,000 available square feet to third parties. During the third quarter ended May 31, 2020, the Company realized 100% of its lease revenue with three lessees.

- Tenant A’s lease term is until September 30, 2022. Lease revenues from this tenant for the three and nine-month periods ended May 31, 2020 were $67,486 and $202,457.
- Tenant B’s lease term is until November 30, 2020 and contains renewal options to extend the lease to May 31, 2022 in six-month increments. Lease revenues from this tenant for the three and nine-month periods ended May 31, 2020 were $449,139 and $1,347,416.
- Tenant C’s lease term is until May 31, 2020. Lease revenues from this tenant for the three and nine-month periods ended May 31, 2020 were $180,000 and $290,323.

The Company also generated lease revenues from the subleasing of a portion of the Company’s head office location. Lease revenues for the three and nine-month periods ended May 31, 2020 were $13,647 and $39,084.

Income is generated from customers domiciled in Canada.

17. Related parties

(a) Key management personnel compensation

Key management personnel are the people who have the authority and responsibility for planning, directing and controlling the business activities of the Company and include all of its directors and chief executives.

The compensations of key management personnel, including directors’ fees, salaries and benefits were as follows:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Salaries and benefits	$ 136,500	$ 134,616	$ 472,500	$ 613,462
Share-based compensation	43,926	(131,568)	185,492	401,551
Board of Directors’ fees	21,000	24,648	64,500	24,648
	$ 201,426	$ 27,696	$ 722,492	$ 1,039,661

(Unaudited - in Canadian dollars)

17. Related parties (continued)

(b) Other transactions with related parties

Related parties include entities related by virtue of key management personnel and directors exercising significant influence or control over the entities' financial and operating policies.

The following provides the transaction amounts by nature with related parties:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Nature of transactions:				
Management fees (i)	$ 5,388	$ 45,881	$ 40,010	$ 237,044
Interest on mortgage (i)	214,624	348,611	693,395	1,033,212
	$ 220,012	$ 394,492	$ 733,405	$ 1,270,256

	May 31, 2020	August 31, 2019
Balances due from (due to) related parties are as follows:		
Accounts receivable (i)	$ -	$ 5,090
Accounts payable and accrued liabilities (i)	(72,319)	(118,904)
Accounts payable to key management personnel (ii)	(27,633)	(74,939)
Accounts payable to Board members	(14,500)	-
Accounts payable to a company controlled by a Board member	-	-
Liabilities for subscription agreement issued by a subsidiary - payable to an executive of the Company	-	(211,000)
Mortgage payable (i)	(6,550,000)	(12,550,000)

(i) The Company has a member of Board of Directors who is a shareholder in an entity with which the Company entered into various transactions for the Farnham Facility and the related mortgage payable.

(ii) Payable balance relates to accrued salary and vacation for key management personnel.

Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.

(Unaudited - in Canadian dollars)

18. Cash flow information

Net change in non-cash working capital items:

	Three-month periods ended May 31, 2020	Three-month periods ended May 31, 2019	Nine-month periods ended May 31, 2020	Nine-month periods ended May 31, 2019
Accounts receivable	$ (22,996)	$ (36,028)	$ 28,771	$ 75,800
Sales tax receivable	65,158	1,652	202,703	(1,102,557)
Biological assets	(831,400)	-	(831,400)	-
Inventory	(122,787)	-	(376,379)	-
Prepaid expenses and other assets	(42,384)	(161,521)	(25,389)	(185,066)
Deposits	(70,000)	182,153	(166,925)	182,153
Accounts payable and accrued liabilities	99,724	(674,683)	58,586	35,512
Deferred lease revenue	28,204	-	28,204	-
Deferred income	481,354	-	509,558	-
	$ (415,127)	$ (688,427)	$ (572,271)	$ (994,158)

Supplemental information in the statement of cash flows:

	Three-month periods ended May 31, 2020	Three-month periods ended May 31, 2019	Nine-month periods ended May 31, 2020	Nine-month periods ended May 31, 2019
Variation of intangible assets included in accounts payable and accrued liabilities	$ -	$ -	$ 96,766	$ -
Variation of property, plant and equipment included in accounts payable and accrued liabilities	(458,711)	1,082,922	2,130,222	2,985,929
New right-of-use asset and lease liability	28,548	-	122,838	282,679
Share issuance cost settled in shares	-	-	-	270,000

19. Financial instruments

Fair value measurements

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts due to the short-term maturity of those instruments.

The fair value of other long-term liabilities, long-term debt, lease liabilities and mortgages payable approximates the carrying amounts, as the interest rate approximates the current market rate.

20. Contingencies

In the normal course of business, the Company may be involved in various legal or regulatory proceedings, the outcomes of which cannot be determined, or outflow of economic benefit is not probable, and, accordingly, no provision has been recorded. The Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its condensed interim consolidated statements of financial position or financial performance.

As at May 31, 2020, there are no material claims in favor or against the Company, and, as such, no contingencies were recorded.

21. Subsequent events

Completion of Global shopCBD.com's acquisition

On July 6, 2020, pursuant to the terms of a share exchange agreement dated May 26, 2020 between Cannara, Global and the shareholders of Global, Cannara acquired 99.8% of the issued and outstanding shares of Global that it did not already own in consideration for the issuance of 23,145,110 common shares of Cannara pro rata to the shareholders of Global at a deemed price of $0.10 per share.

Current portion of Mortgages payable

On July 17, 2020, the Company extended the maturity date of one of its mortgages payable from April 6, 2021 to September 6, 2021. Due to its short-term maturity as at May 31, 2020, the mortgage payable is presented as a current liability in these condensed consolidated financial statements.

Warrants

During the months of June and July 2020, 2,967,000 warrants at $0.10 have been exercised for a total consideration of $296,700, of which $68,000 has been received prior to May 31, 2020. All remaining warrants have expired.

21. Subsequent events (continued)

Letter of Intent with Société québéçoise du cannabis (“SQDC”)

On July 6, 2020, the Company announced the completion of a non-binding Letter of Intent (LOI) with the SQDC. With this LOI, Cannara will dedicate its entire first year production of premium quality cannabis to its home market of Québec. The LOI with the SQDC is expected to convert to a comprehensive purchase order once Cannara is granted its Sales License Amendment from Health Canada.

Financing

On July 17, 2020, the Company signed a term sheet with a related-party lender providing it access to an initial credit facility of $1,000,000 to be used for working capital purposes bearing interest at 13%. The Company will also be granted an additional credit facility of $4,000,000 to be disbursed in four monthly tranches following the signing of an agreement with the SQDC. Repayment of the credit facilities are required within eighteen months of disbursement.