Unaudited Condensed Consolidated Interim Financial Statements of

WILLOW BIOSCIENCES INC.

(FORMERLY MAKENA RESOURCES INC.)

September 30, 2019

Condensed Interim Consolidated Statements of Financial Position (unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current		
Cash and cash equivalents	$ 24,042,331	$ 372,343
Accounts receivable	798,055	352,111
Term deposit	90,660	-
Deposits and prepaid expenses	439,475	63,185
	25,370,521	787,639
Property, plant and equipment – Note 8	5,738,198	179,395
Patents – Note 10	6,428,814	-
Right-of-use asset – Note 9	1,086,038	-
	$ 38,623,571	$ 967,034
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 1,547,078	$ 132,000
Current portion of lease liability – Note 9	609,908	-
	2,156,986	132,000
Warrant liability – Note 11	11,252,607	-
Lease liability – Note 9	487,129	-
	13,896,722	132,000
Shareholders' equity		
Share capital and warrants – Note 11	72,600,708	9,260,291
Contributed surplus	2,778,547	764,472
Accumulated other comprehensive income (loss)	7,028	-
Deficit	(50,659,434)	(9,189,729)
Total Shareholders' equity	24,726,849	835,034
	$ 38,623,571	$ 967,034

See accompanying notes to these condensed interim consolidated financial statements.

Approved by the Board of Directors and authorized for issue on November 21, 2019.

Condensed Consolidated Interim Statements of Comprehensive Loss (unaudited)

For the three and nine months ended

	Three months ended September 30 2019	Three months ended September 30 2018	Nine months ended September 30 2019	Nine months ended September 30 2018
Revenues				
Consulting revenue – Note 5	$ -	$ 9,099	$ 4,584	$ 9,099
	-	9,099	4,584	9,099
Operating Expenses				
General and administrative – Note 13	1,422,624	222,173	3,084,792	675,907
Research and development	1,391,700	49,506	1,710,875	223,120
Stock based compensation – Note 11	565,135	7,248	2,032,327	578,585
Depreciation	791,502	12,654	1,304,588	25,900
Interest expense – leases – Note 9	15,080	-	30,026	-
Goodwill impairment – Note 4	-	-	31,739,103	-
Transaction and listing costs – Note 4	-	-	1,892,126	-
(Gain)/Loss on fair value adjustments – Note 11	(3,166,918)	-	1,180,881	-
Finance income	(27,970)	-	(28,223)	-
Unrealized (gain)/Loss	108,168	-	108,168	-
Total operating expenses	$ 1,099,321	$ 291,581	$ 43,054,663	$ 1,503,512
Loss from operating activities	(1,099,321)	(282,482)	(43,050,079)	(1,494,413)
Deferred income tax recovery	-	-	1,580,374	-
Net loss	(1,099,321)	(282,482)	(41,469,705)	(1,494,413)
Foreign exchange gain (loss) on translation of foreign operations	(3,752)	-	7,028	-
Net comprehensive loss	$ (1,103,073)	$ (282,482)	$ (41,462,677)	$ (1,494,413)
Loss per share: Basic and diluted – Note 12	$ (0.01)	$ (0.00)	$ (0.59)	$ (0.03)

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)

For the nine months ended

	Number of Common Shares	Share Capital and Warrants	Contributed Surplus	Accumulated other Comprehensive Income	Deficit	Total
	(Note 11)	(Note 11)	(Note 11)			
January 1, 2018	46,679,111	$ 7,119,976	$ 675,667	$ -	$ (7,545,165)	$ 250,478
Common shares issued from private placement	1,900,000	190,000	-	-	-	190,000
Issued in private placement of units	3,871,333	1,150,315	-	-	-	1,150,315
Exercise of options	5,000,000	500,000	(499,500)	-	-	500
Issuance of units for debt	1,000,000	300,000	-	-	-	300,000
Share-based compensation	-	-	578,585	-	-	578,585
Net loss for the period	-	-	-	-	(1,494,413)	(1,494,413)
September 30, 2018	58,450,444	$ 9,260,291	$ 754,752	$-	$ (9,039,578)	$ 975,465
January 1, 2019	58,450,444	$ 9,260,291	$ 764,472	$ -	$ (9,189,729)	$ 835,034
Exercise of options	250,000	43,252	(18,252)	-	-	25,000
Share-based compensation	-	-	2,032,327	-	-	2,032,327
Shares exchanged on reverse takeover	(58,700,444)	-	-	-	-	-
Existing shares of Makena	1,409,847	-	-	-	-	-
Shares issued to BioCan shareholders	17,142,878	1,096,125	-	-	-	1,096,125
Common shares and units issued from private placement	33,371,428	15,763,196	-	-	-	15,763,196
Share issue costs	-	(1,841,909)	-	-	-	(1,841,909)
Common shares issued on acquisition of Epimeron	17,143,199	36,429,298	-	-	-	36,429,298
Common shares issued on exercise of warrants	9,803,470	8,466,952	-	-	-	8,466,952
Transfer of warrant liability to common shares and warrants	-	3,365,078	-	-	-	3,365,078
Common shares and units issued from private placement	21,057	18,425	-	-	-	18,425
Other comprehensive income	-	-	-	7,028	-	7,028
Net loss for the period	-	-	-	-	(41,469,705)	(41,469,705)
September 30, 2019	78,891,879	$ 72,600,708	$ 2,778,547	$7,028	$ (50,659,434)	$ 24,726,849

See accompanying notes to these condensed interim consolidated financial statements.

	Three months ended September 30 2019	2018	Nine months ended September 30 2019	2018
Cash provided by (used for):				
Operating activities				
Net loss	$ (1,099,321)	$ (282,482)	(41,469,705)	$ (1,494,413)
Items not affecting cash and cash equivalents:				
Depreciation	791,502	12,654	1,304,588	25,900
Impairment of goodwill– Note 4	-	-	31,739,103	-
(Gain)/ Loss on fair value of warrant liability	(3,166,918)	-	1,180,881	-
Stock based compensation – Note 11	565,135	7,248	2,032,327	578,585
Share listing expense – Note 4	-	-	1,288,296	-
Deferred income tax recovery	-	-	(1,580,374)	-
Unrealized gain/ (loss)	(3,752)		7,028	
Funds used in operations	(2,913,354)	(262,580)	(5,497,856)	(889,928)
Net change in non-cash working capital – Note 14	1,438,168	(108,250)	702,040	(102,922)
	(1,475,186)	(370,830)	(4,795,816)	(992,850)
Financing activities				
Issuance of common shares and warrants – private placement net of share issue costs – Note 11	18,425	1,103,915	27,379,827	1,340,815
Stock option exercise – Note 11	-	-	25,000	-
Funds held in trust	472,987	-	-	-
Exercise of warrants – Note 11	400,000	-	8,466,952	-
Amounts due to related party	-	(20,466)	-	(21,058)
	891,412	1,083,449	35,871,779	1,319,757
Investing activities				
Expenditures on property, plant and equipment	(3,188,143)	(55,753)	(6,390,298)	(111,061)
Principle portion of right-of-use assets	(145,415)	-	(269,518)	-
Net change in non-cash working capital – Note 14	(804,015)	-	(804,015)	-
Cash acquired from acquisitions	-	-	57,856	-
	(4,137,573)	(55,753)	(7,405,975)	(111,061)
Increase (decrease) in cash and cash equivalents	(4,721,347)	656,866	23,669,988	215,846
Cash and cash equivalents, beginning of period	28,763,678	147,494	372,343	588,514
Cash and cash equivalents, end of period	$ 24,042,331	$ 804,360	$ 24,042,331	$ 804,360

Supplementary cash flow information – Note 14

See accompanying notes to these condensed interim consolidated financial statements.

Note 1 - Reporting Entity

Makena Resources Inc. ("Makena") was an exploration stage company, listed on the Canadian Securities Exchange ("CSE"). The principal business activities of Makena included the acquiring and exploring of exploration and evaluation mining assets.

On April 12, 2019, Makena, BioCan Technologies Inc. ("BioCan") and Epimeron Inc. ("Epimeron) completed an Arrangement Agreement (the "Arrangement"). Pursuant to the Arrangement, each BioCan share or warrant was transferred to Makena, and each holder thereof was entitled to receive from Makena the consideration comprised of such number of Makena shares or warrants determined in the exchange ratio of 7.301 (the "BioCan Exchange Ratio") Makena shares or warrants for each BioCan share or warrant. This transaction resulted in a reverse takeover of Makena by BioCan. For accounting purposes, BioCan is considered the acquirer and Makena the acquiree.

Pursuant to the Arrangement, each Epimeron share was transferred to Makena, and each holder thereof was entitled to receive from Makena the consideration comprised of such number of Makena shares determined in the exchange ratio of 577.14 (the "Epimeron Exchange Ratio") Makena shares for each Epimeron share.

At the completion of the Arrangement, Makena changed its name to Willow Biosciences Inc. ("Willow" or the "Company"). Willow was continued from British Columbia under the Business Corporations Act (Alberta) on June 21, 2019. Willow is a biotechnology company that produces high purity, plant derived compounds that provide building blocks for the global pharmaceutical industry. The Company has a head office in Calgary, Alberta and operations in Vancouver, British Columbia and Mountain View, California. The Company's shares are listed on the CSE under the trading symbol "WLLW". The Company's head office and registered office is located at 3655 36th Street NW, Calgary AB, T2L 1Y8.

On May 22, 2019, the Company completed a 25:1 share consolidation. All common shares, warrants, performance warrants and stock options amounts in these financial statements are presented as if the share consolidation was affected retroactively.

The consolidated interim financial statements are in the name of Willow Biosciences Inc. (formerly Makena), and are a continuation of the consolidated financial statements of BioCan.

These consolidated interim financial statements were approved and authorized for issuance on November 21, 2019.

Note 2 - Basis of Presentation

Statement of Compliance

The consolidated interim condensed financial statements of the Company as at and for the three and nine months ended September 30, 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with BioCan's December 31, 2018 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in BioCan's 2018 annual financial statements except as disclosed in Note 3.

Basis of Measurement

The financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency

Unless otherwise stated, these financial statements are presented in Canadian (CAD) dollars. The Company's functional currency is the Canadian dollar. The functional currency for the company's wholly owned subsidiary is United States (USD) dollar.

Use of Estimates and Judgements

Estimates and judgments made by management in the preparation of these financial statements include compensation costs accrued for the share-based compensation plan and warrant valuation which are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of the Company's shares and expected term of the issued stock options, warrants and performance warrants.

Note 3 - Accounting Policies

Consolidation

Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, substantive potential voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition including any contingent consideration is measured as the aggregate of the consideration transferred at acquisition date fair value. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the consideration transferred over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the consideration transferred below the fair value of the net assets acquired is recorded as a gain in net income. Associated transaction costs are expensed when incurred. Any contingent consideration to be transferred to the vendor is recognized at fair value at the acquisition date. Contingent consideration classified as a financial asset or liability is measured at fair value, with changes in fair value recorded in net income.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the operating segment that is expected to benefit from the combination. Goodwill is carried at cost less impairment and is not amortized.

Goodwill is assessed for impairment annually at year-end or more frequently if events occur that indicate possible impairment. The recoverable amount is determined by calculating the recoverable amount of the group of cash generating units ("CGUs") that goodwill has been allocated to. The excess of the carrying value of goodwill over the recoverable amount is then recognized as impairment and charged to net income in the period in which it occurs. An impairment loss in respect of goodwill is not reversed.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained, unless the Company determines there is a better method of allocating the goodwill on disposition.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. A development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria are usually met when it has been determined that it is considered highly probable that the product or process can be patented, and the regulatory filing has begun. The expenditure capitalized includes the cost of material, direct labour, legal and consulting costs associated with filing the patent and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment loss.

Term deposits

Term deposits include investments with original maturities of greater than three months and less than twelve months that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Investment Tax Credits and Government Assistance

The benefits of investment tax credits (“ITCs”) for scientific research and experimental development expenditures (“SRED”) are recognized in the year the qualifying expenditure is made providing there is reasonable assurance of recoverability. The investment tax credits recorded are based on management’s estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The investment tax credit reduces the carrying cost of expenditures for research and development or equipment to which they relate.

Research grants are recognized as a recovery of research expenditures in the statement of comprehensive income (loss) when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The Company only recognizes grant proceeds on the statement of comprehensive income (loss) when the proceeds have been spent on research expenses. Grant amounts received in advance are recorded as deferred grant proceeds.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at that date. The foreign currency gain or loss on monetary items has been recognized in other comprehensive income.

The Company’s foreign operations that have a functional currency different from the Company’s presentation currency are translated into the Company’s presentation currency at period end exchange rates for assets and liabilities and at the average rate over the period for revenues and expenses. Translation gains and losses relating to the foreign operations are included as a component of shareholder’ equity in Other Comprehensive Income/Loss.

Change in Accounting Policies

IFRS 16 - Leases

The Company adopted IFRS 16 "Leases" on January 1, 2019 which requires entities to recognize lease assets and lease obligations on the statement of financial position. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets can be elected to be exempt from the requirements and may continue to be treated as operating leases.

On adoption, non-current assets, and non-current liabilities on the Company's statement of financial position increased. Interest expense will be recognized on the lease obligation and lease payments will be applied against the lease obligation. This resulted in a decrease to operating expense and general and administration expense and an increase to interest expense and fund flows from operations. The impact on the balance sheet is presented in Note 9.

Note 4 - Acquisitions

(a) Makena Acquisition

On March 22, 2019, the Company entered into a definitive agreement to be acquired by Makena Resources Inc. The acquisition was completed via a reverse takeover whereby Makena acquired 100% of the outstanding common shares of BioCan by issuing 17,142,878 common shares of Makena, which resulted in BioCan shareholders gaining control of Makena. The transaction closed on April 12, 2019. At the time of the transaction, Makena had 1,409,847 common shares outstanding.

The following table summarizes the purchase consideration and estimated provisional purchase price allocation for the acquisition, subject to finalization of the valuation of the fair value of the acquired assets and liabilities at the date of acquisition:

Total consideration, payable in common shares	$ 1,096,125
Assets and liabilities acquired	
Cash	$ 311
Accounts receivable	8,710
Accounts payable and accrued liabilities	(201,192)
Net assets acquired	(192,171)
Share listing expense	1,288,296
	$ 1,096,125

As the acquisition was not considered a business combination, the excess of the fair value of the consideration over the net assets of $1,288,296 is included as an expense on the statement of comprehensive loss. In addition, the Company incurred $603,830 in transaction costs relating to the reverse takeover, for a total transaction and share listing expense of $1,892,126.

(b) Epimeron Acquisition

On March 22, 2019, the Company entered into a definitive agreement to acquire 100% of the outstanding shares of Epimeron Inc. in exchange for 17,143,199 common shares of the Company. The transaction, the "Epimeron Acquisition" closed on April 12, 2019.

The following table summarizes the purchase consideration and estimated provisional purchase price allocation for the acquisition, subject to finalization of the valuation of the fair value of the acquired assets and liabilities at the date of acquisition:

Total consideration, payable in common shares	$ 36,429,298

Assets and liabilities acquired	
Current assets	$ 264,461
Right-of-use assets – leases	667,903
Property, plant and equipment	25,974
Patents	6,599,316
Current liabilities	(619,266)
Deferred tax liability	(1,580,374)
Lease liability	(667,819)
Goodwill	31,739,103
Net assets acquired	$ 36,429,298

The Epimeron Acquisition has been accounted for using the acquisition method and the results of operations from Epimeron have been included in the Company's financial statements since the acquisition date.

Concurrent with the Epimeron Acquisition, the Company recognized goodwill of $31,739,103, which the Company subsequently impaired as a charge to profit or loss during the period.

Goodwill impairment review is carried out at the level of a 'cash-generating unit', defined as the smallest identifiable group of assets, liabilities and associated goodwill that generates cash inflows that are largely independent of other cash flows from other assets or groups of assets. Since the Company does not have a cash generating unit yet the goodwill balance has been impaired.

The net loss for Epimeron would have been $1,640,576 for the period from January 1, 2019 to June 30, 2019. The Companies were amalgamated as of June 30th, 2019.

Note 5 - Revenue

On July 31, 2017, BioCan entered into a General Service Agreement ("GSA") with the Province of British Columbia. Under the terms of the GSA, the Company is contracted to act as a knowledgeable person on behalf of the British Columbia Ministry of Agriculture for farm practices complaints related to cannabis operations.

The Company recorded $nil revenue from this contract during the three months ended September 30, 2019, and $4,584 for the nine months ended September 30, 2019 (September 30, 2018- $9,099).

Note 6 - Capital Management

The Company considers all components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to complete research, obtain patents, commercialize products and generate positive operational cash flow and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not exposed to any externally imposed capital requirements.

Note 7 - Financial Instruments and Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments at September 30, 2019 include cash and cash equivalents, accounts receivable, term deposits, accounts payable and accrued liabilities and current portion of lease liability.

(a) **Fair Values of Financial Instruments**

The fair value of cash and cash equivalents, accounts receivable, term deposit, accounts payable and accrued liabilities and current portion of lease liability approximate their carrying values due to the short-term nature of those instruments.

(b) **Risks Associated with Financial Assets and Liabilities**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and cash equivalents and accounts receivable. The Company reduces its credit risk on cash and cash equivalents by maintaining its bank accounts at large international financial institutions. Accounts receivable consists predominately of the Industrial Research Assistance Program (IRAP), a government funded research grant, Scientific Research Experimental and Developmental tax refund and GST receivable. As such, management has concluded that the Company has no significant credit risk. The maximum exposure to credit risk is equal to the value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Cash is held in bank accounts and is available on demand.

Market risk

Market risk is the risk that fluctuations in commodity prices, interest rates and foreign currency rates will affect the Company's net loss and comprehensive loss or the value of its financial assets and liabilities. The Company has no significant market risk exposure at September 30, 2019 other than currency risk, as discussed below.

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of the Company's business transactions denominated in USD, primarily cash and expenses incurred in USD.

Exchange rate fluctuations for foreign currency transactions can cause cash flows as well as amounts recorded in the consolidated statements of comprehensive loss to vary from period to period and not necessarily correspond to those forecasted in operating budgets and projections. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the CAD at the rates of exchange at each consolidated statement of financial position date, the impact of which is reported as foreign exchange gain or loss in the consolidated statements of comprehensive loss. The Company does not believe a sudden change in foreign exchange rates would impair or enhance its ability to pay its USD denominated obligations.

The following table presents the significant items in the original currencies exposed to currency risk as at September 30, 2019 and December 31, 2018:

(in USD)	**September 30, 2019**	**December 31, 2018**
Cash and cash equivalents	$ 626,369	$ -
Deposits and prepaid expenses	133,765	-
Accounts payable and accrued liabilities	(105,086)	-
Lease liability	(380,278)	-
Net holdings	$ 274,770	$ -
Impact of 5% strengthening of USD based on above exposure	CAD$ 18,194	CAD$ -

Note 8 – Property, Plant and Equipment

	Corporate and other assets
Cost	
Balance at December 31, 2017	$ 192,428
Additions	202,844
Balance at December 31, 2018	395,272
Acquisition of Epimeron – Note 4	25,974
Additions	6,390,298
Balance at September 30, 2019	$ 6,811,544

	Corporate and other assets
Accumulated depletion and depreciation	
Balance at December 31, 2017	$ (169,486)
Depreciation for the year	(46,391)
Balance at December 31, 2018	$ (215,877)
Depreciation for the period	(857,469)
Balance at September 30, 2019	$ (1,073,346)

	Corporate and other assets
Net book value	
As at December 31, 2018	$ 179,395
As at September 30, 2019	$ 5,738,198

Note 9 – Leases

The Company has recognized right-of-use assets and lease liability of $278,116 at January 1, 2019. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. The lease liabilities were discounted at the incremental borrowing rate of 5.45%.

Right-of-use asset

	Total
Cost	
Balance at January 1, 2019	278,116
Acquisition of Epimeron – Note 4	667,903
Additions	420,363
Foreign exchange impact	(3,727)
Balance at September 30, 2019	1,362,655

Accumulated depletion and depreciation	
Balance at January 1, 2019	$ -
Charge for the period	(276,617)
Balance at September 30, 2019	$ (276,617)

Net book value	
As at December 31, 2018	$ -
As at September 30, 2019	$ 1,086,038

Lease Liabilities

	Total
Lease liability at January 1, 2019	$ 278,116
Acquisition of Epimeron – Note 4	667,819
Additions	420,363
Interest expense on lease liability	30,026
Payments on lease liability	(294,977)
Foreign exchange impact	(4,310)
Lease liability at September 30, 2019	$ 1,097,037

Lease liabilities in the statement of financial position at September 30, 2019	
Current	609,908
Non-current	487,129
Balance at September 30, 2019	$ 1,097,037

Note 10 - Patents

The Company has valued the patents based on costs that were acquired as a part of the Epimeron acquisition. These costs include salaries, benefits, consulting, equipment and legal costs. No other costs are capitalized as there is no reasonable assurance of commerciality when other Research and Development and patent filing expenditures were made.

The cost of the patents have been amortized over their useful lives of 16 – 21 years.

The company reviews the current value of patents at each reporting period for indicators of impairment. The patents were acquired as a part of the recent acquisition of Epimeron on April 12, 2019 and was assessed for impairment then, there are no indicators of impairment during the period ended September 30, 2019.

Cost	
Balance at December 31, 2017 and 2018	$ -
Acquisition of Epimeron Inc. – Note 4	6,599,316
Balance at September 30, 2019	$ 6,599,316

Accumulated depletion and depreciation	
Balance at December 31, 2017 and 2018	$ -
Charge for the period	(170,502)
Balance at September 30, 2019	$ (170,502)
Net book value	
As at December 31, 2018	$ -
As at September 30, 2019	$ 6,428,814

Note 11 - Share Capital

(a) Authorized

Unlimited number of common shares without par value.
Unlimited number of preferred shares issuable in series.

(b) Issued and Outstanding

	Number of Common Shares	Share Capital and Warrants
January 1, 2018	46,679,111	$ 7,119,976
Common shares issued from private placement	1,900,000	190,000
Issued in private placement of units (net of costs)	3,871,333	1,150,315
Exercise of options	5,000,000	500
Issued to a related party upon cancellation of debt	1,000,000	300,000
Transfer to contributed surplus on exercise of options	-	499,500
December 31, 2018	58,450,444	$ 9,260,291
Exercise of options	250,000	43,252
Shares exchanged on reverse takeover	(58,700,444)	-

Existing shares of Makena	1,409,847	-
Shares issued to BioCan shareholders	17,142,878	1,096,125
Common shares and units issued from private placement	33,371,428	15,763,196
Share issue costs	-	(1,841,909)
Common shares issued on acquisition of Epimeron	17,143,199	36,429,298
Common shares issued on exercise of warrants	9,803,470	8,466,952
Transfer of warrant liability to common shares and warrants	-	3,365,078
Common shares and units issued from private placement	21,057	18,425
September 30, 2019	78,891,879	$72,600,708

On February 4, 2019, 250,000 shares were issued at a price of $0.10 per share upon the exercise of 250,000 stock options.

On April 12, 2019, the Company received approval from the CSE and completed a private placement raising $29.2 million by the issuance of an aggregate 33,371,428 common shares and units at $0.875 each. Each unit consists of one common share and one performance warrant. A total of 9,201,707 common shares and 24,169,722 units were issued. Also, on April 12, 2019, the Company completed the acquisition of Epimeron Inc. by issuance of 17,143,199 common shares and a reverse takeover of Makena by issuance of 17,142,878 common shares to BioCan shareholders.

On May 13, 2019, 9,219,390 common shares were issued at $0.875 for exercise of warrants.

On August 21, 2019, 584,080 common shares were issued at $ 0.68 for exercise of warrants.

On September 9, 2019, the Company issued an additional 21,057 units at $ 0.875 with the same expiry date, vesting conditions and exercise price as the units which were issued on April 12, 2019 for gross proceeds of $18,425.

(c) Issued and outstanding warrants

	Number of Warrants	Weighted Average Exercise Price $
December 31, 2017	1,022,140	$ 0.68
Issued during 2018 with private placement of units	1,130,584	1.54
Issued to a related party upon cancellation of debt	292,040	1.54
Warrants at December 31, 2018	2,444,764	$ 1.18
Issued from the reverse takeover of Makena	729,748	8.33
Exercised	(584,080)	0.68
Expired	(451,560)	0.68
Warrants at September 30, 2019	2,138,872	$ 3.71

Warrants outstanding and the weighted average remaining life of the warrants at September 30, 2019 are as follows:

Warrants Outstanding	Warrants Vested

Exercise Price $	Number of Warrants	Weighted Average Remaining Life (years)	Number of Warrants	Weighted Average Remaining Life (years)
1.54	1,422,624	0.4	1,422,624	0.4
25.00	20,800	0.8	20,800	0.8
25.00	13,960	1.1	13,960	1.1
25.00	65,000	1.5	65,000	1.5
25.00	37,175	1.7	37,175	1.7
4.00	579,313	3.1	579,313	3.1
3.71	2,138,872	1.3	2,138,872	1.3

(d) Issued and outstanding performance warrants

	Number of Performance Warrants	Weighted Average Exercise Price $
Performance warrants at December 31, 2017	2,866,758	1.20
Issued	365,050	0.856
Cancelled	(2,282,678)	1.20
Performance warrants at December 31, 2018	949,130	1.06
Issued	24,190,779	0.875
Exercised	(9,219,390)	0.875
Cancelled	(365,050)	0.856
Performance warrants at September 30, 2019	15,555,469	0.89

The Company issued 365,050 performance warrants to a certain officer on May 3, 2018. The performance warrants were allocated in three tranches of 121,683 performance warrants with an exercise price of $0.856 per share and expire on May 3, 2023. One third of the performance warrants vest when the share price reaches $0.50, $0.75 and $1.00 per share. The Company cancelled these performance warrants on February 13, 2019 and recorded an expense of $31,768.

On April 12, 2019, the Company received approval from the CSE and completed a private placement raising gross proceeds of $29.2 million by the issuance of an aggregate 33,371,428 common shares and units at $0.875 each. Each unit consists of one common share and one performance warrant. A total of 9,201,706 common shares and 24,169,722 units were issued. The units were issued to the new management team, employees, directors and certain strategic investors as identified by the new management team. Each performance warrant entitles the holder to purchase one common share at a price of $0.875 for a period of 5 years, after certain vesting requirements. The performance warrants vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares (the "Market Price") equalling or exceeding $1.31, an additional one-third upon the Market Price equalling or exceeding $1.75 and a final one-third upon the Market Price equalling or exceeding $2.19. In addition, in the event the Market Price equals or exceeds $3.50, each performance warrant shall be exercisable for 1.5 common shares, provided that, at the time of exercise in respect of the additional 0.5 of a common share per performance warrant (the "Performance Incentive"), the common shares are listed on the facilities of a recognized stock exchange (other than the CSE or the TSX-Venture) or the common shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the CSE or the TSX-Venture).

On September 9, 2019, the Company issued an additional 21,057 units with the same expiry date, vesting conditions and exercise price as the units which were issued on April 12, 2019 for gross proceeds of $18,425.

The performance warrants issued on April 12, 2019 and September 9, 2019 were initially accounted for as a derivative liability and measured at fair value with subsequent changes in fair value each reporting period accounted for through profit and loss. The performance warrants satisfy the derivative liability classification on the date of issuance, as the number of common shares to be issued per warrant is dependent on market price conditions. Should the warrants expire prior to the market performance conditions being met, the related decrease in warrant liability is recognized in profit or loss.

Once the market conditions are met, the warrants would meet equity classification criteria on this date, as the holder will receive a fixed number of common shares for each warrant when exercised, and the fair value will be reclassified to equity.

The Company valued the performance warrants issued in connection with this private placement using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.60 - 1.80%; volatility of 82%; dividend yield of 0% and approximate expected lives of 3.5-5 years, inclusive of incremental Performance Incentive. At initial valuation, $13,436,804 was recognized as warranty liability. On exercise date, the warrants were fair valued and the resultant value of $327,576 has been recognized in warranty liability and $3,365,078 has been recognized in equity under common shares and warrants, as the Market Price vesting conditions have been met, and the remainder which has not yet vested has been recorded as warrant liability. On June 30, 2019, the warrants were fair valued at $14,419,525 and the resultant value of $4,020,223 was recognized in warranty liability. Subsequently at September 30, 2019, the warrants have been fair valued at $11,252,607 and $3,166,918 has been de-recognized from warranty liability.

Performance warrants outstanding and the weighted average remaining life of the performance warrants at September 30, 2019 are as follows:

	Performance Warrants Outstanding		Performance Warrants Vested	
Exercise Price $	Number of Performance Warrants	Weighted Average Remaining Life (years)	Number of Performance Warrants	Weighted Average Remaining Life (years)
1.20	584,080	0.4	584,080	0.4
0.875	14,971,389	4.5	6,907,796	4.5
0.89	15,555,469	4.4	7,491,876	4.2

(e) Issued and outstanding employee stock options

	Number of Employee Stock Options	Weighted Average Exercise Price $
Options at December 31, 2017	2,082,816	$ 0.15
Issued	365,050	0.07
Cancelled	(914,656)	0.34
Exercised	(1,460,200)	0.0003
Options at December 31, 2018	73,010	$ 0.34
Issued from Makena reverse takeover	37,490	4.75
Expired	(37,490)	4.75
Exercised	(73,010)	0.34
Issued	4,852,800	1.47
Options at September 30, 2019	4,852,800	$ 1.47

During the three and nine months ended September 30, 2019, the Company recorded an expense of $565,135 and $2,000,559 respectively (September 30, 2018 – $nil and $273,858, respectively) to stock-based compensation expense recognizing the stock option activity for the period based on the fair value of options issued amortized using a graded vesting calculation.

(f) Share-based compensation expense

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Stock options	$ 565,135	-	$ 2,000,559	$ 273,858
Performance warrants	-	$ 7,248	31,768	304,727
Total	$ 565,135	$ 7,248	$ 2,032,327	$ 578,585

Note 12 - Per Share Amounts

The following table summarizes the weighted average number of common shares used in calculating basic and diluted loss per share.

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Net loss	$ (1,099,321)	$ (282,482)	$ (41,469,705)	$ (1,494,413)
Weighted average common share adjustments				
Weighted average common shares outstanding, basic and diluted	78,634,377	56,520,720	69,656,580	53,585,257

As the Company incurred a loss, outstanding warrants, performance warrants and options were excluded from diluted loss per share as they are anti-dilutive.

Note 13 - Statements of Comprehensive Loss Supplementary Information

General and Administrative Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Consulting and technical services	$ 250,924	$ 5,757	$ 470,210	$ 11,257
Salaries, wages and benefits	355,842	113,616	795,839	298,820
Legal, audit and accounting	208,642	44,476	379,829	143,331
Investor relations	230,158	29,801	635,069	124,660
Corporate and office	377,058	28,523	803,845	97,839
	$ 1,422,624	$ 222,173	$ 3,084,792	$ 675,907

Note 14 - Statements of Cash Flows Supplementary Information

(a) Net change in non-cash working capital

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Accounts receivable	178,933	$ (69,428)	(381,950)	$ (62,762)
Term deposits	(60,000)	-	(60,254)	-
Deposits and prepaid expenses	902,928	(3,000)	(255,065)	(14,654))
Accounts payable and accrued liabilities	(387,033)	(35,822)	595,294	(25,506)
Amount due to related party	(675)	-	-	-
	$ 634,153	$ (108,250)	$ (101,975)	$ (102,922)
Relating to:				
Investing activities	$ (804,015)	$ (108,250)	$ (804,015)	$ (102,922)
Operating activities	1,438,168	-	702,040	-
	$ 634,153	$ (108,250)	$ (101,975)	$ (102,922)

(b) Supplementary cash flow information

No interest or taxes were paid or received during the three and nine months ended September 30, 2019 or September 30, 2018. Cash and cash equivalents at September 30, 2019 and December 31, 2018 consists of cash held in the Company's bank accounts and does not include any short-term investments.