VERITAS PHARMA INC.

Condensed Consolidated Financial Statements

Nine Months Ended January 31, 2020

(Expressed in Canadian dollars)

(unaudited)

VERITAS PHARMA INC.
Condensed consolidated statements of financial position
(Expressed in Canadian dollars)

	January 31, 2020 $ (unaudited)	April 30, 2019 $
Assets		
Current assets		
Cash	21,666	19,996
Amounts receivable	224	43,519
Total current assets	21,890	63,515
Non-current assets		
Asset held for sale (Note 3)	–	319,439
Investment (Note 4)	–	375,000
Total non-current assets	–	694,439
Total assets	21,890	757,954
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	415,108	416,923
Advance payable (Note 5)	–	180,000
Due to related parties (Note 6)	878,327	622,208
Total liabilities	1,293,435	1,219,131
Shareholders' deficit		
Share capital	28,778,344	28,778,344
Share-based payment reserve	1,276,684	677,864
Warrant reserve	684,135	684,135
Deficit	(32,010,708)	(30,601,520)
Total shareholders' deficit	(1,271,545)	(461,177)
Total liabilities and shareholders' deficit	21,890	757,954

Nature of operations and continuance of business (Note 1)
Contingencies (Note 9)
Subsequent events (Note 10)

Approved and authorized for issuance on behalf of the Board of Directors on May 15, 2020:

/s/ Lorne Mark Roseborough | */s/ Nick Standish*

Lorne Mark Roseborough | Nick Standish, Director

(The accompanying notes are an integral part of these condensed consolidated financial statements)

VERITAS PHARMA INC.
Condensed consolidated statements of operations and comprehensive loss
(Expressed in Canadian dollars)
(unaudited)

	Three months ended January 31, 2020 $	Three months ended January 31 2019 $	Nine months ended January 31, 2020 $	Nine months ended January 31, 2019 $
Expenses				
Consulting (Note 6)	81,413	400,315	179,008	1,176,762
Depreciation	–	6,391	–	18,657
Investor relations	–	26,669	–	117,592
Office and miscellaneous	11,560	19,432	19,286	64,487
Professional fees	83,787	53,781	246,649	159,503
Rent	–	57,333	150,300	160,766
Research and development	–	15,804	–	79,298
Share-based compensation (Note 8)	–	11,786	598,820	492,629
Transfer agent and filing fees	231	4,214	13,170	13,704
Travel and promotion	91	17,439	4,952	57,207
Wages and benefits	60,678	134,409	178,689	405,311
Total expenses	237,760	747,573	1,390,874	2,745,916
Loss before other income (expense)	(237,760)	(747,573)	(1,390,874)	(2,745,916)
Other income (expense)				
Gain on sale of land	15,221	–	15,221	–
Interest income	–	386	–	491
Unauthorized payment	–	–	–	(1,000,000)
Write-off of amounts receivable	(33,535)	–	(33,535)	–
Write-off of related party receivables	–	(106,019)	–	(106,019)
Total other income (expense)	(18,314)	(105,633)	(18,314)	(1,105,528)
Net loss for the period	(256,074)	(853,206)	(1,409,188)	(3,851,444)
Loss per share, basic and diluted	(0.02)	(0.09)	(0.12)	(0.48)
Weighted average shares outstanding	12,157,398	9,903,166	12,157,398	8,006,748

(The accompanying notes are an integral part of these condensed consolidated financial statements)

VERITAS PHARMA INC.
Condensed consolidated statements of changes in equity
(Expressed in Canadian dollars)
(unaudited)

	Share capital: Number of shares	Share capital: Amount $	Share-based payment reserve $	Warrant reserve $	Deficit $	Total shareholders' deficit $
Balance, April 30, 2019	12,157,398	28,778,344	677,864	684,135	(30,601,520)	(461,177)
Fair value of stock options vested	–	–	598,820	–	–	598,820
Net loss for the period	–	–	–	–	(1,409,188)	(1,409,188)
Balance, January 31, 2020	12,157,398	28,778,344	1,276,684	684,135	(32,010,708)	(1,271,545)

	Share capital: Number of shares	Share capital: Amount $	Share-based payment reserve $	Warrant reserve $	Share subscriptions receivable $	Deficit $	Total shareholders' equity $
Balance, April 30, 2018	6,929,680	22,395,823	231,197	684,135	(194,500)	(18,702,730)	4,413,925
Shares issued pursuant to private placements	713,158	1,460,000	–	–	–	–	1,460,000
Share issuance costs	–	(20,000)	–	–	–	–	(20,000)
Share subscriptions received	–	–	–	–	147,500	–	147,500
Shares issued pursuant to acquisition of 3 Carbon Extractions	150,000	367,500	–	–	–	–	367,500
Shares issued pursuant to acquisition of Indigenous Bloom	4,166,666	4,166,666	–	–	–	–	4,166,666
Shares issued for services	157,894	300,000	–	–	–	–	300,000
Shares issued for exercise of stock options	50,000	148,880	(38,880)	–	–	–	110,000
Cancellation of shares	(10,000)	(68,850)	21,850	–	47,000	–	–
Fair value of stock options vested	–	–	492,629	–	–	–	492,629
Net loss for the period	–	–	–	–	–	(3,851,444)	(3,851,444)
Balance, January 31, 2019	12,157,398	28,750,019	706,796	684,135	–	(22,554,174)	7,586,776

(The accompanying notes are an integral part of these condensed consolidated financial statements)

VERITAS PHARMA INC.
Condensed consolidated statements of cash flows
(Expressed in Canadian dollars)
(unaudited)

	Six months ended January 31, 2020 $	Six months ended January 31, 2019 $
Operating activities		
Net loss for the period	(1,409,188)	(3,851,444)
Items not involving cash:		
Depreciation	–	18,657
Gain on sale of land	(15,221)	–
Shares issued for services	–	300,000
Share-based compensation	598,820	492,629
Write-off of amounts receivable	33,535	–
Write-off of related party receivables	–	106,019
Changes in non-cash operating working capital:		
Amounts receivable	9,760	(49,954)
Prepaid expenses and deposits	–	407,632
Accounts payable and accrued liabilities	9,963	342,265
Due to related parties	256,119	43,867
Net cash used in operating activities	(516,212)	(2,190,329)
Investing activities		
Proceeds received from disposition of investment	375,000	–
Loan to Springbank Capital Partners, LLC	–	(109,566)
Advance for investment	–	(400,000)
Cash paid for acquisition of 1182372 B.C. Ltd.	–	(1,250,000)
Purchase of property and equipment	–	(38,310)
Proceeds received from sale of land	142,882	–
Cash acquired from advance payable	–	180,000
Net cash provided by (used in) investing activities	517,882	(1,617,876)
Financing activities		
Proceeds from issuance of shares and share subscriptions received	–	1,717,500
Share issuance costs	–	(20,000)
Net cash provided by financing activities	–	1,697,500
Change in cash	1,670	(2,110,705)
Cash, beginning of period	19,996	2,156,496
Cash, end of period	21,666	45,791

(The accompanying notes are an integral part of these condensed consolidated financial statements)

1. Nature of Operations and Continuance of Business

Veritas Pharma Inc. (the “Company”) was incorporated on May 14, 2014 under the Business Corporations Act of British Columbia as Seashore Organic Marijuana Corp. for the purpose of completing the Plan of Arrangement between Noor Energy Corporation and Sechelt Organic Marijuana Corp. which was completed on August 7, 2014. On September 22, 2014, the Company changed its name from Seashore Organic Marijuana Corp. to Seashore Organic Medicine Inc. and had intentions to become a producer and distributor of medical marijuana in Canada. On December 29, 2015, the Company’s name was changed to Veritas Pharma Inc., and its trading symbol was changed to “VRT”. Its current focus is to develop the most effective proprietary cannabis strains for specific disease conditions. The Company’s head office is located at Suite 3200, 650 West Georgia Street, Vancouver, BC, V6B 4P7.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

These condensed consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2020, the Company has not generated any revenues from operations, has a working capital deficit of $1,271,545, and has an accumulated deficit of $32,010,708. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability to raise equity or debt financing, and the attainment of profitable operations from the Company's future business. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These amended and restated condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and using the accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended April 30, 2019.

These condensed consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual consolidated financial statements as at and for the year ended April 30, 2019. Interim results are not necessarily indicative of the results expected for the fiscal year.

(b) Principles of Consolidation

These condensed consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Sechelt Organic Marijuana Corp. (“Sechelt”), Veritas Pharma Puerto Rico LLC (“VPPR”), and Cannevert Therapeutics Ltd. (“CTL”). All significant inter-company balances and transactions have been eliminated on consolidation.

(c) Reclassifications

Certain of the prior period figures have been reclassified to conform to the current period’s presentation.

2. Significant Accounting Policies (continued)

(d) Recent Accounting Pronouncements

The Company adopted the new standard IFRS 16, "Leases", effective May 1, 2019. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Asset Held For Sale

On November 28, 2019, the Company sold its land for gross proceeds of $350,000. A gain of $15,221 on the sale of land was recognized after deducting selling costs.

4. Investment

On July 9, 2018, the Company issued 150,000 common shares with a fair value of $367,500 and paid $400,000 (US$300,000) to acquire 1,000 Class A voting common shares of 3 Carbon Extractions Inc. ("3 Carbon").

As at April 30, 2019, the Company recorded an impairment of $392,500 to bring the carrying value to the its fair value of $375,000.

On June 25, 2019, the Company entered into an agreement for the Company to sell the 1,000 Class A voting shares of 3 Carbon to a non-related party for $375,000. The amount was received on June 28, 2019.

5. Advance Payable

On September 26, 2018, the Company entered into a share purchase agreement with Leis Industries Limited ("Leis") whereby Leis is to purchase 100% of the outstanding common shares of SOM for $350,000.

On November 14, 2018, the Company received $180,000 from Leis.

On November 28, 2019, the Company entered into a settlement agreement with Leis and repaid the $180,000 advance payable to Leis.

6. Related Party Transactions

(a) As at January 31, 2020, the Company owed $831,322 (April 30, 2019 - $562,146) to a company controlled by a director of the Company. The amount is unsecured, non-interest bearing, and due on demand.

(b) As at January 31, 2020, the Company owed $47,006 (April 30, 2019 - $47,006) to a former director of Sechelt and the Company The amount is unsecured, non-interest bearing and due on demand.

(c) As at January 31, 2020, the Company owed $20,358 (April 30, 2019 – $20,358) to a company controlled by the former Chief Executive Officer of the Company, which was recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the nine months ended January 31, 2020, the Company incurred consulting fees of $nil (2019 – $73,634) to a company controlled by the former Chief Executive Officer of the Company.

(Expressed in Canadian dollars)

6. Related Party Transactions (continued)

(d) As at January 31, 2020, the Company owed $5,250 (April 30, 2019 – $nil) to a company controlled by a director of the Company, which is recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the nine months ended January 31, 2020, the Company incurred consulting fees of $37,903 (2019 – $nil) to a company controlled by a director of the Company.

(e) As at January 31, 2020, the Company owed $10,500 (April 30, 2019 – $nil) to a company controlled by the Chief Executive Officer of the Company, which is recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the nine months ended January 31, 2019, the Company incurred consulting fees of $55,000 (2019 – $nil) to a company controlled by the Chief Executive Officer of the Company.

(d) As at January 31, 2020, the Company owed $5,250 (April 30, 2019 – $nil) to a company controlled by a director of the Company, which is recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand. During the nine months ended January 31, 2020, the Company incurred consulting fees of $5,000 (2019 – $nil) to a company controlled by a director of the Company.

(f) During the nine months ended January 31, 2020, the Company incurred consulting fees of $nil (2019 – $60,000) to a company controlled by the former Chief Financial Officer of the Company.

(g) During the nine months ended January 31, 2020, the Company granted 1,200,000 (2019 – 270,000) stock options with a fair value of $598,820 (2019 - $211,203) to officers and directors of the Company.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, April 30, 2019	1,200,000	4.79
Expired	(850,000)	4.00
Balance, January 31, 2020	350,000	6.71

As at January 31, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
50,000	5.00	July 30, 2020
300,000	7.00	March 28, 2021
350,000		

(Expressed in Canadian dollars)

8. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares. The exercise price of each option is set by the Board of Directors at the time of grant subject to a minimum price of $0.10 per share but cannot be less than the market price (less permissible discounts) on the Canadian Securities Exchange. Options can have a maximum term of five years and typically terminate ninety days following the termination of the optionee's employment or engagement (thirty days for options granted for investor relations services), except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Outstanding, April 30, 2019	500,000	2.15
Granted	1,200,000	0.52
Cancelled	(500,000)	2.11
Outstanding, January 31, 2020	1,200,000	0.52

Additional information regarding stock options outstanding as at January 31, 2020 is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.52	1,200,000	4.25	0.52

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	Nine months ended January 31, 2020	Nine months ended January 31, 2019
Risk-free interest rate	1.63%	1.92%
Expected life (in years)	5	1
Expected volatility	182%	106%

The total fair value of stock options vested during the nine months ended January 31, 2020 was $598,820 (2019 - $492,629) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the nine months ended January 31, 2020 was $0.50 (2019 - $1.27) per share

9. Contingencies

(a) On February 28, 2019, the Company filed a civil claim against Liht for the recovery of the $1,000,000 advance plus interest. The interest payable on the advance was to be 10% per annum compounded daily from June 25, 2018 through and including the date on which it was repaid in full. The advance was to be repayable within 90 days and secured by certain assets of Liht. The Company alleges that, even though the Company had advanced Liht $1,000,000, Liht had refused to execute the loan agreement and has taken no steps to perfect the security of the advance. On August 28, 2018, the Company made a demand for the return of the $1,000,000 and again on January 14, 2019 together with interest accrued totalling of $1,055,068.49 on or before January 21, 2019. Liht has refused to return any portion of the $1,000,000 and any interest or deliver any consideration for the advance. The civil claim is ongoing, and the Company believes that the advance to Liht will be recovered, but the outcome cannot be reasonably determined at this time.

(b) On June 26, 2019, the Company filed a civil claim against its former management for breach of their fiduciary duty and duty of care to the Company with respect to the loan made to Liht. This resulted in a loss and damage to the Company. The civil claim is ongoing and the amount of any damages recoverable cannot be reasonable determined or estimated at this time.

10. Subsequent Events

(a) On February 19, 2020, the Company issued 273,913 common shares to settle debt of $31,500 owing to the Chief Executive Officer of the Company.

(b) On February 19, 2020, the Company cancelled 1,200,000 stock options.

(c) On March 26, 2020, the Company issued 3,000,000 common shares to settle debt of $540,000 owing to a company where a director of the Company is a director. This company helped the Company to fund its accounts payables.

(d) On April 24, 2020, the Company granted 1,215,738 stock options exercisable at $0.15 per share expiring on April 24, 2025 to officers and directors of the Company.