



VERITAS PHARMA INC.

Condensed Consolidated Financial Statements

Six Months Ended October 31, 2020

(Expressed in Canadian dollars)

(unaudited)

VERITAS PHARMA INC.

Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	October 31, 2020 \$ (unaudited)	April 30, 2020 \$
Assets		
Current assets		
Cash	4,458	8,891
Amounts receivable	249	249
Prepaid expenses and deposits	—	5,969
Total assets	4,707	15,109
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 3)	549,645	524,729
Convertible note payable (Note 7)	85,000	—
Due to related parties (Note 3)	470,901	365,427
Total liabilities	1,105,546	890,156
Shareholders' deficit		
Share capital	29,564,397	29,381,213
Share-based payment reserve	1,443,613	1,443,613
Warrant reserve	684,135	684,135
Deficit	(32,792,984)	(32,384,008)
Total shareholders' deficit	(1,100,839)	(875,047)
Total liabilities and shareholders' deficit	4,707	15,109

Nature of operations and continuance of business (Note 1)
Contingencies (Note 7)

Approved and authorized for issuance on behalf of the Board of Directors on January 4, 2021:

/s/ Lorne Mark Roseborough

Lorne Mark Roseborough

/s/ Nicholas Standish

Nicholas 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 October 31, 2020 \$	Three months ended October 31, 2019 \$	Six months ended October 31, 2020 \$	Six months ended October 31, 2019 \$
Expenses				
Consulting fees (Note 3)	63,000	65,692	126,000	97,595
Office and miscellaneous	4,314	5,257	5,140	7,726
Professional fees	82,780	106,943	156,161	162,862
Rent	—	—	—	150,300
Share-based compensation (Note 6)	—	—	—	598,820
Transfer agent and filing fees	12,058	11,136	19,148	12,939
Travel and promotion	—	4,771	—	4,861
Wages and benefits	—	61,640	—	118,011
Total expenses	162,152	255,439	306,449	1,153,114
Loss before other expenses	(162,152)	(255,439)	(306,449)	(1,153,114)
Other expenses				
Legal settlement (Note 7(c))	(14,093)	—	(14,093)	—
Loss on debt settlements (Note 4)	(88,434)	—	(88,434)	—
Total other expenses	(102,527)	—	(102,527)	—
Net loss and comprehensive loss for the period	(264,679)	(255,439)	(408,976)	(1,153,114)
Loss per share, basic and diluted	(0.02)	(0.02)	(0.03)	(0.09)
Weighted average shares outstanding	16,625,985	12,157,398	16,028,648	12,157,398

(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		Share-based payment reserve	Warrant reserve	Deficit	Total shareholders' deficit
	Number of shares	Amount \$	\$	\$	\$	\$
Balance, April 30, 2020	15,431,311	29,381,213	1,443,613	684,135	(32,384,008)	(875,047)
Common shares issued pursuant to debt settlements	1,263,333	183,184	—	—	—	183,184
Net loss for the period	—	—	—	—	(408,976)	(408,976)
Balance, October 31, 2020	16,694,644	29,564,397	1,443,613	684,135	(32,792,984)	(1,100,839)
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	—	—	—	—	(1,153,114)	(1,153,114)
Balance, October 31, 2019	12,157,398	28,778,344	1,276,684	684,135	(31,754,634)	(1,015,471)

(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 October 31, 2020 \$	Six months ended October 31, 2019 \$
Operating activities		
Net loss for the period	(408,976)	(1,153,114)
Items not involving cash:		
Loss on debt settlements	88,434	—
Share-based compensation	—	598,820
Changes in non-cash operating working capital:		
Amounts receivable	—	(12,864)
Prepaid expenses and deposits	5,969	(6,000)
Accounts payable and accrued liabilities	204,666	(2,589)
Due to related parties	105,474	213,267
Net cash used in operating activities	(4,433)	(362,480)
Investing activities		
Proceeds received from disposition of investment	—	375,000
Net cash provided by investing activities	—	375,000
Change in cash	(4,433)	12,520
Cash, beginning of period	8,891	19,996
Cash, end of period	4,458	32,516
Non-cash investing and financing activities:		
Common shares issued pursuant to debt settlements	183,184	—
Convertible note payable issued for settlement of accounts payable and legal settlement	85,000	—

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

VERITAS PHARMA INC.

Notes to the Condensed Consolidated Financial Statements
Six Months Ended October 31, 2020
(Expressed in Canadian dollars)
(unaudited)

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 has not been significant, 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 October 31, 2020, the Company has not generated any revenues from operations, has a working capital deficit of \$1,100,839, and has an accumulated deficit of \$32,792,984. 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, 2020.

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, 2020. 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, 12302161 Canada Inc. (incorporated on August 28, 2020 to effect the proposed acquisition of Indigenous Bloom Hemp Corporation (“HempCo”) – refer to Note 8), Sechelt Organic Marijuana Corp. (“Sechelt”), Cannevert Therapeutics Ltd., and Veritas Hemp Corp. All significant inter-company balances and transactions have been eliminated on consolidation.

VERITAS PHARMA INC.

Notes to the Condensed Consolidated Financial Statements
Six Months Ended October 31, 2020
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2. Significant Accounting Policies (continued)

(c) Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended October 31, 2020, and have not been applied in preparing these 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. Related Party Transactions

- (a) As at October 31, 2020, the Company owed \$11,050 (April 30, 2020 - \$26,250) to a company controlled by the director of the Company, which is recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand.
- (b) As at October 31, 2020, the Company owed \$15,750 (April 30, 2020 - \$21,000) to a company controlled by the director of the Company, which is recorded in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing, and due on demand.
- (c) As at October 31, 2020, the Company owed \$423,895 (April 30, 2020 - \$318,421) to a company where a director of the Company is a director. The amount is unsecured, non-interest bearing, and due on demand.
- (d) As at October 31, 2020, the Company owed \$42,000 (April 30, 2020 - \$10,500) 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.
- (e) As at October 31, 2020, the Company owed \$47,006 (April 30, 2020 - \$47,006) to a former director of Sechelt. The amount is unsecured, non-interest bearing, and due on demand.
- (f) During the six months ended October 31, 2020, the Company incurred consulting fees of \$60,000 (2019 – \$22,903) to companies controlled by directors of the Company.
- (g) During the six months ended October 31, 2020, the Company incurred consulting fees of \$60,000 (2019 – \$35,000) to a company controlled by the Chief Executive Officer of the Company.
- (h) During the six months ended October 31, 2020, the Company granted nil (2019 – 1,200,000) stock options with a fair value of \$nil (2019 - \$598,820) to officers and directors of the Company.

4. Share Capital

On August 5, 2020, the Company issued a total of 1,263,333 common shares with a fair value of \$183,184 to settle debt of \$21,000 owing to the Chief Executive Officer of the Company, \$31,750 owing to a director of the Company, and \$42,000 owing to a company controlled by a director of the Company, resulting in a loss on debt settlements of \$88,434.

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5. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2020 and October 31, 2020	300,000	7.00

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

Number of warrants outstanding	Exercise price \$	Expiry date
300,000	7.00	March 28, 2021

6. 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 \$
Balance, April 30, 2020 and October 31, 2020	1,215,738	0.15

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

Range of exercise prices \$	Outstanding and exercisable		
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.15	1,215,738	4.5	0.15

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6. Stock Options (continued)

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:

	Six months ended October 31, 2020	Six months ended October 31, 2019
Risk-free interest rate	—	1.63%
Expected life (in years)	—	5
Expected volatility	—	182%

The total fair value of stock options vested during the six months ended October 31, 2020 was \$nil (2019 - \$598,820) 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 six months ended October 31, 2020 was \$nil (2019 - \$0.50) per share.

7. 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 the breach of their fiduciary duty and duty of care to the Company with respect to the advance 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 reasonably determined or estimated at this time.
- (c) On May 14, 2020, a civil claim was filed against the Company by a former employee. The former employee is claiming \$114,061 in relief as follows: \$31,500 in damages for breach of contract, \$31,500 in damages for outstanding wages, \$1,061 in damages for outstanding business expenses, and \$50,000 in damages for the breach of common law duty to perform contract obligations honestly and in good faith. The Company initially recorded \$63,873 in the accounts payable and accrued liabilities for previous services rendered, outstanding business expenses, and damages for breach of contract. On October 28, 2020, the Company and the former employee agreed that the Company will pay the former employee a sum of \$85,000 through the issuance of a convertible promissory note. The promissory note is non-interest bearing and will automatically convert into common shares of the Company at a price equal to the greater of (i) the closing price of the Company's shares on the Canadian Securities Exchange ("CSE") on the Maturity Date (the first day on which the Company's shares are reinstated for trading on the CSE), less the maximum discount permitted by Policy 6 of the CSE; and (ii) \$0.15. The Company must issue the shares to the former employee within 5 business days of the Maturity Date. The settlement fee of \$14,093 is recorded in the statement of operations and comprehensive loss.

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8. Proposed Business Acquisition

On September 4, 2020, the Company entered into an agreement to acquire ("HempCo"). The Company will acquire 100% of the issued and outstanding shares of HempCo for aggregate consideration of \$28,000,000 to be provided in common shares of the Company, at a deemed price per share equal to the closing price on the CSE on the day prior to closing. Prior to closing, the Company is to consolidate its common shares on a 1-for-2 basis. The closing of the acquisition is subject to regulatory approval.