

**RMR SCIENCE TECHNOLOGIES INC.**

**Condensed Interim Financial Statements**

**For the nine months ended June 30, 2019 and for the period from October 17, 2017 (date of incorporation) to June 30, 2018**

**(Unaudited – prepared by management)  
(Expressed in Canadian Dollars)**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its independent auditors have not reviewed the condensed interim financial statements for the nine months ended June 30, 2019 and for the period from October 17, 2017 (date of incorporation) to June 30, 2018.

**RMR Science Technologies Inc.**  
**Statements of Financial Position**  
**(Unaudited - prepared by management)**  
**(Expressed in Canadian Dollars)**

|   | <i>Notes</i> | June 30,<br>2019<br>\$ | September 30,<br>2018<br>\$ |
|---|--------------|------------------------|-----------------------------|
| <b>ASSETS</b>                                     |              |                        |                             |
| Current   |              |                        |                             |
| Cash  | 4            | 147,328                | 408,647                     |
| Deferred financing costs                          | 13           | 73,124                 | 25,000                      |
| <b>Total assets</b>                               |              | <b>220,452</b>         | <b>433,647</b>              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |              |                        |                             |
| Accounts payable and accrued liabilities          |              | 102,067                | 125,794                     |
| <b>SHAREHOLDERS' EQUITY</b>                       |              |                        |                             |
| Equity attributable to shareholders               |              |                        |                             |
| Share capital                                     | 6            | 519,848                | 519,848                     |
| Reserves  |              | 69,833                 | 69,833                      |
| Deficit   |              | (471,296)              | (281,828)                   |
| <b>Total shareholders' equity</b>                 |              | <b>118,385</b>         | <b>307,853</b>              |
| <b>Total liabilities and shareholders' equity</b> |              | <b>220,452</b>         | <b>433,647</b>              |

Nature of operations – Note 1  
Proposed transaction – Note 12

Approved on behalf of the Board:

/s/ Robin Hutchison

Director

/s/ Ron Erickson

Director

*The accompanying notes are an integral part of these financial statements.*

RMR Science Technologies Inc.  
**Statements of Loss and Comprehensive Loss**  
(Unaudited - prepared by management)  
(Expressed in Canadian Dollars)

| <i>Notes</i>  | Nine Months<br>Ended<br>June 30,<br>2019 | October 17,<br>2017<br>(date of<br>incorporation)<br>to<br>June 30, 2018 | Three Months Ended<br>June 30, |                  |
|---|--|--|--------------------------------|------------------|
|   | \$                                       | \$   | 2019                           | 2018             |
|   | \$                                       | \$   | \$                             | \$               |
| <b>General and administrative expenses</b>                      |  |  |                                |                  |
| Bank service charges  | 850                                      | 348  | 252                            | 120              |
| Foreign exchange  | 48                                       | -  | -                              | -                |
| Marketing and promotion   | 1,412                                    | 5,220  | 1,412                          | 5,220            |
| Professional fees   | 175,180                                  | 66,590   | 14,251                         | 34,028           |
| Share-based payments  | -  | 52,445   | -                              | -                |
| Transaction costs   | -  | 25,000   | -                              | 25,000           |
| Transfer agent, listing and filing fees                         | 11,978                                   | 30,434   | 7,213                          | 6,289            |
| <b>Net loss and comprehensive loss for the period</b>           | <b>(189,468)</b>                         | <b>(180,037)</b>   | <b>(23,128)</b>                | <b>(70,657)</b>  |
| <b>Basic and diluted loss per common share</b>                  | <b>(0.04)</b>                            | <b>(0.09)</b>  | <b>(0.00)</b>                  | <b>(0.03)</b>    |
| <b>Weighted average number of common shares<br/>outstanding</b> | <b>5,135,775</b>                         | <b>2,020,794</b>   | <b>5,135,775</b>               | <b>2,086,139</b> |

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**RMR Science Technologies Inc.**  
**Condensed Interim Statement of Shareholders' Equity**  
**(Unaudited - prepared by management)**  
**(Expressed in Canadian Dollars)**

|                             | Common Shares    |          | Option Reserve | Deficit   | Total Shareholders' Equity |
|-----------------------------|------------------|----------|----------------|-----------|----------------------------|
|                             | Number of Shares | Amount   |                |           |                            |
|                             |                  | \$       | \$             | \$        | \$                         |
| Balance, October 17, 2017   | -                | -        | -              | -         | -                          |
| Shares issued               | 7,705,775        | 640,577  | -              | -         | 640,577                    |
| Share issuance costs        | -                | (73,440) | -              | -         | (73,440)                   |
| Share-based payments        | -                | -        | 52,445         | -         | 52,445                     |
| Agent options granted       | -                | (23,805) | 23,805         | -         | -                          |
| Agent options exercised     | 30,000           | 9,417    | (6,417)        | -         | 3,000                      |
| Net loss for the period     | -                | -        | -              | (180,037) | (180,037)                  |
| Balance, June 30, 2018      | 7,735,775        | 552,749  | 69,833         | (180,037) | 442,545                    |
| Share issuance costs        |                  | (32,901) |                |           | (32,901)                   |
| Net loss for the period     | -                | -        | -              | (101,791) | (101,791)                  |
| Balance, September 30, 2018 | 7,735,775        | 519,848  | 69,833         | (281,828) | 307,853                    |
| Net loss for the period     | -                | -        | -              | (189,468) | (189,468)                  |
| Balance, June 30, 2018      | 7,735,775        | 519,848  | 69,833         | (471,296) | 118,385                    |

*The accompanying notes are an integral part of these financial statements.*

**RMR Science Technologies Inc.**  
**Statements of Cash Flow**  
**(Unaudited - prepared by management)**  
**(Expressed in Canadian Dollars)**

|   | <b>Nine Months<br/>ended<br/>June 30, 2019</b> | <b>October 17, 2017<br/>(date of<br/>incorporation)<br/>to<br/>June 30, 2018</b> |
|---|--|--|
|   | \$   | \$   |
| Cash provided by (used in):                     |  |  |
| <b>Operating activities:</b>                    |  |  |
| Net loss for the period                         | (189,468)                                      | (180,037)  |
| Items not involving cash:                       |  |  |
| Share-based payments                            | -  | 52,445   |
| Changes in non-cash working capital:            |  |  |
| Deferred financing costs                        | (48,124)                                       | -  |
| Accounts payable and accrued liabilities        | (23,727)                                       | 41,680   |
|   | (261,319)                                      | (85,912)   |
| <b>Financing activities:</b>                    |  |  |
| Shares issued for cash                          | -  | 643,577  |
| Share issuance costs                            | -  | (73,440)   |
|   | -  | 570,137  |
| Net change in cash and cash equivalents         | (261,319)                                      | 484,225  |
| Cash and cash equivalents, beginning of period  | 408,647  | -  |
| <b>Cash and cash equivalents, end of period</b> | <b>147,328</b>                                 | <b>484,225</b>   |

*The accompanying notes are an integral part of these financial statements.*

**RMR Science Technologies Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Nine Months Ended June 30, 2019**  
**(Unaudited – prepared by management)**  
**(Expressed in Canadian Dollars)**

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**1. Nature of operations**

RMR Science Technologies Inc. (the “Company”) was incorporated on October 17, 2017, by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia). The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSXV”) Policy 2.4.

The principal business of the Company will be the identification and evaluation of assets or businesses with an intent to completing a qualifying transaction. On April 14, 2018, the Company signed a letter of intent (“LOI”) with cannÖgen Biosciences, Inc. (“cannÖgen”), a privately held corporation existing under the laws of the state of Nevada, with respect to a proposed business combination between the Company and cannÖgen (the “Qualifying Transaction”) by way of an amalgamation, arrangement, share purchase or other similar form of transaction which will result in cannÖgen becoming a wholly-owned subsidiary of the Company, or otherwise combining its corporate existence with that of the Company. As consideration, the Company will issue and deliver up to 7,500,000 class “A” common shares (“Common Shares”) of the Company. The final structure of the Transaction is subject to receipt of tax, corporate and securities laws advice for both the Company and cannÖgen. Upon completion of the Qualifying Transaction, the combined entity will continue to carry on the business of cannÖgen. During the period from October 17, 2017 (date of incorporation) to September 30, 2018, the Company advanced \$25,000 to cannÖgen as a non-refundable deposit to assist Qualifying Transaction costs.

The registered and records office of the Corporation is located at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V7X 1T2. The head office is located at 4 – 3300 157A St., Surrey, British Columbia, V3Z 2P2.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

**2. Basis of presentation**

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards, as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim financial statements were authorized for issue by the Board of Directors on August 15, 2019.

(b) Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments, which are measured at their fair values at the end of each reporting period. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**RMR Science Technologies Inc.**  
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**2. Basis of presentation (cont'd)**

(b) Basis of measurement (cont'd)

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(c) Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(c) **Significant accounting policies**

**Adoption of new accounting policy – financial instruments**

The Company adopted all of the requirements of IFRS 9 – *Financial Instruments* ("IFRS 9") as of October 1, 2018. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| <b>Financial assets/liabilities</b> | <b>Original classification IAS 39</b> | <b>New classification IFRS 9</b> |
|-------------------------------------|---------------------------------------|----------------------------------|
| Cash                                | FVTPL                                 | FVTPL                            |
| Accounts payable                    | Amortized cost                        | Amortized cost                   |

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on June 30, 2019.

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**Notes to the Condensed Interim Financial Statements**  
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**3. Significant accounting policies (cont'd)**  
**Adoption of new accounting policy – financial instruments (cont'd)**

*Measurement*

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

**Adoption of new accounting policy – revenue from contracts with customers**

The Company adopted all of the requirements of IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) as of June 30, 2019. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As the Company has no revenues, the change did not impact accumulated deficit or any assets and liabilities on the transition date.

**RMR Science Technologies Inc.**  
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**3. Significant accounting policies (cont'd)**

**Significant accounting judgments, estimates and assumptions**

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements, and reported amounts of revenues and expenses during the period. Estimates and assumptions are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimated uncertainty that management has made as at the statement of financial position date that could result in a material adjustment to the carrying amount of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Critical Accounting Estimates*

Critical accounting estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities include, but are not limited to, the following:

- Recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make estimates in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the condensed interim financial statements.

*Critical Accounting Judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements include, but are not limited to, the following:

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund acquisition of assets or businesses and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Treatment of research and development expenses

The application of the Company's accounting policy for research and development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Significant judgment is required to distinguish between the research and development phases. Estimates and assumptions may change if new information becomes available. If new information suggests future economic benefits are unlikely, the amount capitalized is written off to profit or loss.

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3. **Significant accounting policies (cont'd)**

**Share capital**

Common shares issued by the Company are classified as shareholders' equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from shareholders' equity.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated using the residual method whereby proceeds are allocated first to common shares based on the market trading price of the common shares, and any remaining balance is allocated to warrants.

**Share-based payments**

The Company accounts for share-based payments using a fair value based method with respect to all share-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the options are recorded at the fair value of the goods or services received. When the value of the goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. When options and warrants are exercised, the related amount in the options and warrants reserve is transferred to share capital. When options and warrants expire unexercised, such amounts are transferred to deficit.

**Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on differences between financial statement carrying amounts of existing assets and liabilities, and their respective tax basis (temporary differences). Deferred income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantively enacted. The amount of deferred income tax assets recognized is limited to the amount of the benefit that is probable of being realized.

**Earnings (loss) per share**

The Company presents basic and diluted earnings (loss) per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The computation of diluted earnings (loss) per share assumes the exercise or contingent issuance of securities only when such exercise would have a dilutive effect on the earnings (loss) per share.

2,600,000 common shares outstanding as of June 30, 2019 are contingently cancellable and excluded from the calculation of the weighted average number of common shares outstanding.

**RMR Science Technologies Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Nine Months Ended June 30, 2019**  
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**3. Significant accounting policies (cont'd)**

**New accounting standards and interpretations**

Certain new accounting standards, amendments to standards and interpretations have been issued. These standards have been assessed to not have a significant impact on the Company's financial statements:

*IFRS 16, Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as required by IAS 17 and instead introduces a single lessee accounting model. The standard is effective for years beginning on or after January 1, 2019.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standard; however, enhanced disclosure requirements are expected.

**4. Cash**

The Company's cash is comprised of cash of \$147,328 (September 30, 2018: \$408,647).

**5. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities are comprised of:

|                     | <b>June 30,<br/>2019</b> | <b>September 30,<br/>2018</b> |
|---------------------|--------------------------|-------------------------------|
|                     | <b>\$</b>                | <b>\$</b>                     |
| Accounts payable    | 102,067                  | 125,294                       |
| Accrued liabilities | -                        | 2,500                         |
|                     | <b>101,422</b>           | <b>125,794</b>                |

**6. Share capital**

(a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

As at June 30, 2019, the Company has 7,735,775 common shares outstanding, 2,600,000 of which will be held in escrow and contingently cancellable.

There were no share issuances during the nine month period ended June 30, 2019.

**RMR Science Technologies Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**6. Share capital (cont'd)**

During the period from October 17, 2017 (date of incorporation) to September 30, 2018:

The Company issued 2,600,000 common shares at a price of \$0.05 per common share for total proceeds of \$130,000. These common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrowed shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V, and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If the Company does not receive final acceptance of a Qualifying Transaction and is delisted, the shares may be cancelled and the proceeds returned to the shareholders.

- 1) On March 15, 2018, the Company successfully completed its initial public offering of 5,000,000 common shares of the Company at a price of \$0.10 per common share for gross proceeds of \$500,000. Subject to the terms of an agency agreement entered into in connection with the Offering, the agents for the Offering received a cash commission equal to 10% of the gross proceeds raised by such agents, and agent's options ("Agent's Options") to purchase 500,000 common shares at an exercise price of \$0.10 per common share. The Agent's Options will expire 24 months from the date the common shares were listed on the TSXV, which was March 15, 2018.
- 2) On April 6, 2018, PI Financial Corp. (the "Agent") exercised 135,775 Agent's options for gross proceeds of \$13,577. \$6,417 was transferred to Share Capital from Agent's Option Reserve to recognize the fair value of the options exercised.

**7. Stock options**

On January 4, 2018, the Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

On March 15, 2018, the Company granted 760,000 stock options to officers and directors exercisable at a price of \$0.10 per share expiring five years from the date of grant. The fair value of the stock options granted was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk free interest rate of 2.06%; expected dividend rate of 0%; expected volatility of 88%; expected life of five years; and forfeiture rate of 0%. The fair value of the options was calculated at \$52,445, which was recognized during the period from October 17, 2017 (date of incorporation) to September 30, 2018 as share-based payment expense.

**RMR Science Technologies Inc.**  
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**7. Stock options (cont'd)**

The options outstanding and exercisable at September 30, 2018 and June 30, 2019 are as follows:

| <b>Number<br/>Outstanding and Exercisable</b> | <b>Weighted Average<br/>Exercise Price (\$)</b> | <b>Weighted Average<br/>Remaining Contractual<br/>(Years)</b> |
|---|---|---|
| 760,000                                       | 0.10  | 3.96  |

**8. Agent's Options**

On March 15, 2018, the Company granted 500,000 non-transferable Agent's Options. Fair value of the Agent's options granted was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk free interest rate of 2.06%; expected dividend rate of 0%; expected volatility of 88%; expected life of two years; and forfeiture rate of 0%. The fair value of the options was calculated at \$23,805, which was recognized as Agent's Option Reserve.

The Agent's Options outstanding and exercisable at September 30, 2018 and June 30, 2019 are as follows:

|  | <b>Quantity</b> | <b>Weighted<br/>Average<br/>Exercise Price<br/>(\$)</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>(Years) (\$)</b> |
|--|-----------------|---|--|
| Balance, October 17, 2017                        | -               | -   | -  |
| Issued, March 15, 2018                           | 500,000         | 0.10  | 0.96   |
| Exercised, April 6, 2018                         | (135,775)       | 0.10  | -  |
| Balance, September 30, 2018 and<br>June 30, 2019 | 364,225         | 0.10  | 0.96   |

**9. Related party transactions**

**Key management compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors. During the nine months ended June 30, 2019, there was no compensation paid to key management. (October 17, 2017 (date of incorporation) to June 30, 2018: \$nil). Share-based payments for directors and officers for the nine months ended June 30, 2019 was \$nil (October 17, 2017 (date of incorporation) to June 30, 2018: \$nil).

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**Notes to the Condensed Interim Financial Statements**  
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**10. Financial instruments and risk management**

As at June 30, 2019, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair value of cash, accounts payable and accrued liabilities approximate its carrying value due to its short-term to maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;  
and
- Level 3 – Inputs that are not based on observable market data.

As at June 30, 2019, the fair value of cash held by the Company was classified as Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset-backed commercial paper.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that further funding will be required to meet current and long-term requirements. As at June 30, 2019, the Company had a cash balance of \$147,328 (September 30, 2018: \$408,647) to settle current liabilities of \$102,067 (September 30, 2018: \$125,794). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

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**10. Financial instruments and risk management (cont'd)**

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has no assets or liabilities and has no revenue or expenses denominated in a foreign currency, so it is not exposed to foreign currency risk.

iii. Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

**11. Capital management**

Capital is comprised of items included in shareholders' equity. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

The Company is not subject to any externally-imposed capital requirements.

**12. Proposed Transaction**

On April 14, 2018, the Company signed a letter of intent ("LOI") with cannÖgen Biosciences Inc. ("cannÖgen"), a privately held corporation existing under the laws of the state of Nevada, with respect to a proposed business combination between the Company and cannÖgen by way of an amalgamation, arrangement, share purchase or other similar form of transaction which will result in cannÖgen becoming a wholly-owned subsidiary of the Company, or otherwise combining its corporate existence with that of the Company. The final structure of the Transaction is subject to receipt of tax, corporate and securities laws advice for both the Company and cannÖgen. Upon completion of the Qualifying Transaction, the combined entity will continue to carry on the business of cannÖgen.

The Qualifying Transaction is expected to proceed by way of a business combination pursuant to which cannÖgen will become a wholly-owned subsidiary of the Company, and as consideration therefore, the Company will issue and deliver up to 7,500,000 class "A" common shares ("Common Shares") of the Company.

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**12. Proposed Transaction (cont'd)**

Prior to the completion of the Transaction, the Company will complete a brokered private placement of from 7,500,000 up to a maximum of 12,500,000 subscription receipts ("Subscription Receipts") at a price of \$0.40 per Subscription Receipt, for aggregate gross proceeds of a minimum \$3,000,000 up to a maximum of \$5,000,000 (the "Offering"). Upon completion of the Transaction, each Subscription Receipt will automatically convert without any further action on the part of the holder into one Common Share of the Company and one half of one Common Share purchase warrant of the Company. Each whole Common Share purchase warrant ("Warrant") will entitle the holder to acquire one Common Share at an exercise price of \$0.60 per Common Share for a period of two years from the date of issuance. The Warrants will also contain an accelerated expiry provision wherein if the Common Shares of the Company trade over \$0.85 on the TSXV, or on another recognized exchange, for a period of ten consecutive trading days, the Company may provide written notice to the holder that the Warrant will expire 30 days from the date of that notice. Subject to the terms of an agency agreement to be entered into in connection with the Offering, the agents for the Offering are expected to receive a cash commission equal to 7% of the gross proceeds raised by such agents and such number of broker warrants ("Broker Warrants"), that is equal to 7% of the number of Subscription Receipts sold by such broker. Each Broker Warrant will be exercisable to acquire one Common Share at a price of \$0.50 for a period of two years from the date of issuance. In connection with the Offering, the Company paid \$66,053 in deferred financing costs (September 30, 2018: \$25,000).

On June 4, 2019, the Company announced that it had received conditional approval from the TSXV for its Qualifying Transaction and the Company entered into a definitive agreement dated May 30, 2019 ("Definitive Agreement") with cannÖgen and the holders of cannÖgen common shares in respect of the Qualifying Transaction. Pursuant to the Definitive Agreement, the Company will acquire all of the outstanding cannÖgen Shares in exchange for issuing an aggregate of 7,500,000 Class A common shares in the capital of the Company.

Upon completion of the Qualifying Transaction, it is the intention of the parties that the Resulting Issuer will continue to focus on the current business and affairs of cannÖgen and will be an industrial or Technology or Life Sciences Issuer listed on the TSXV.