

RMR SCIENCE TECHNOLOGIES INC.

Financial Statements

For the year ended September 30, 2019 and for the period from October 17, 2017 (date of incorporation) to September 30, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
RMR Science Technologies Inc.

Opinion

We have audited the accompanying financial statements of RMR Science Technologies Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of loss and comprehensive loss, shareholders' equity, and cash flows for the year ended September 30, 2019 and the period from incorporation on October 17, 2017 to September 30, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the year ended September 30, 2019 and the period from incorporation on October 17, 2017 to September 30, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that 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 business. 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. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

January 28, 2020

RMR Science Technologies Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

| | <i>Notes</i> | September 30 2019 | September 30, 2018 |
|---|--------------|------------------------------|-------------------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash | 4 | 133,757 | 408,647 |
| GST receivable | | 3,349 | - |
| Deferred financing costs | 13 | 32,701 | 25,000 |
| Total assets | | 169,177 | 433,647 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Accounts payable and accrued liabilities | 5 | 161,116 | 125,794 |
| SHAREHOLDERS' EQUITY | | | |
| Equity attributable to shareholders | | | |
| Share capital | 6 | 519,848 | 519,848 |
| Reserves | 7,8 | 69,833 | 69,833 |
| Deficit | | (581,620) | (281,828) |
| Total shareholders' equity | | 8,061 | 307,853 |
| Total liabilities and shareholders' equity | | 169,177 | 433,647 |

Nature of operations – Note 1
Proposed transaction – Note 13

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
(Expressed in Canadian Dollars)

| | <i>Notes</i> | Year Ended September 30, 2019 | October 17, 2017 (date of incorporation) to September 30, 2018 |
|---|--------------|-------------------------------------|---|
| | | \$ | \$ |
| General and administrative expenses | | | |
| Bank service charges | | 1,251 | 745 |
| Foreign exchange | | 73 | - |
| General office and administration | | - | 1,153 |
| Marketing and promotion | | - | 5,394 |
| Professional fees | | 237,825 | 153,208 |
| Share-based payments | 7 | - | 52,445 |
| Transaction costs | 1 | 41,053 | 25,000 |
| Transfer agent, listing and filing fees | | 18,049 | 41,434 |
| Travel and entertainment | | 1,541 | 2,449 |
| Net loss and comprehensive loss for the period | | (299,792) | (281,828) |
| Basic and diluted loss per common share | | (0.06) | (0.10) |
| Weighted average number of common shares outstanding | | 5,135,775 | 2,928,253 |

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

RMR Science Technologies Inc.
Statements of Shareholders' Equity
(Expressed in Canadian Dollars)

| | Common Shares | | Option Reserve | Deficit | Total Shareholders' Equity |
|---|------------------|-----------|----------------|-----------|----------------------------|
| | Number of Shares | Amount | | | |
| | | \$ | \$ | \$ | \$ |
| Balance, October 17, 2017 | - | - | - | - | - |
| Shares issued | 7,600,000 | 630,000 | - | - | 630,000 |
| Share issuance costs | - | (106,341) | - | - | (106,341) |
| Share-based payments | - | - | 52,445 | - | 52,445 |
| Agent options granted | - | (23,805) | 23,805 | - | - |
| Agent options exercised | 135,775 | 13,577 | - | - | 13,577 |
| Transfer reserve on agent's options exercised | - | 6,417 | (6,417) | - | - |
| Net loss for the period | - | - | - | (281,828) | (281,828) |
| Balance, September 30, 2018 | 7,735,775 | 519,848 | 69,833 | (281,828) | 307,853 |
| Net loss for the year | - | - | - | (299,792) | (299,792) |
| Balance, September 30, 2019 | 7,735,775 | 519,848 | 69,833 | (581,620) | 8,061 |

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

RMR Science Technologies Inc.
Statements of Cash Flow
(Expressed in Canadian Dollars)

| | Year ended September 30, 2019 | October 17, 2017 (date of incorporation) to September 30 |
|--|-------------------------------------|--|
| | \$ | \$ |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss for the period | (299,792) | (281,828) |
| Items not involving cash: | | |
| Share-based payments | - | 52,445 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (3,349) | - |
| Accounts payable and accrued liabilities | 68,223 | 92,893 |
| | (234,918) | (136,490) |
| Financing activities: | | |
| Shares issued for cash | - | 643,577 |
| Share issuance costs | (32,901) | (73,440) |
| Deferred financing costs | (7,071) | (25,000) |
| | (39,972) | 545,137 |
| Net change in cash and cash equivalents | (274,890) | 408,647 |
| Cash and cash equivalents, beginning of period | 408,647 | - |
| Cash and cash equivalents, end of period | 133,757 | 408,647 |
| Non-cash transactions: | | |
| Reclassification of agent's options exercised from reserves to share capital | - | 6,417 |
| Fair value of agent's options | - | 23,805 |
| Share issuance costs included in accounts payable | - | 32,901 |

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

RMR Science Technologies Inc.
Notes to the Financial Statements

For the year ended September 30, 2019 and for the period from October 17, 2017 (date of incorporation) to September 30, 2018
(Expressed in Canadian Dollars)

1. Nature of operations

RMR Science Technologies Inc. (“RMR” or 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 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 principal business of the Company will be the identification and evaluation of assets or businesses with an intent to completing a qualifying transaction (“Qualifying Transaction”).

On March 15, 2018, the Company completed its initial public offering of 5,000,000 class “A” common shares (“Common Shares”) at a price of \$0.10 per Common Share for gross proceeds of \$500,000.

On September 12, 2018, the Company announced that it engaged Canaccord Genuity Corp. (“Canaccord”) as lead agent and sole bookrunner in connection with a commercially reasonable private placement of up to 10,000,000 subscription receipts (the “Subscription Receipts”) at a price of \$0.50 per Subscription Receipt (the “Issue Price”) to raise gross proceeds of a minimum of \$3,000,000 up to a maximum of \$5,000,000 (the “Offering”). Upon completion of the Qualifying Transaction, each Subscription Receipt will automatically convert without any further action on the part of the holder into one Common Share and on-half Common Share purchase warrant (each a “Warrant”). Each Warrant shall entitle the holder to acquire one Common share at an exercise price of \$0.75 per Common Share for a period of two years from the date of issuance. The Warrants shall also contain an accelerated expiry provision wherein if the Common Shares trade over \$1.00 on the TSXV for a period of ten consecutive trading days, the Company may provide written notice to the holder that the Warrant shall expire 30 days from the date of that notice. The agents for the Offering will receive a cash commission equal to 7.0% of the gross proceeds raised and such number of broker warrants (“Broker Warrants”) that is equal to 7.0% of the number of Subscription Receipts sold by such broker. Each Broker Warrant shall be exercisable to acquire one Common Share at a price of \$0.50 for a period of two years from the date of issuance. The Subscription Receipts will be issued in accordance with the terms of a subscription receipt indenture that will provide that the gross proceeds for the Offering will be held in escrow pending completion of the Qualifying Transaction. During the period from October 17, 2017 (date of incorporation) to September 30, 2018, the Company advanced \$25,000 to cannÖgen Biosciences Inc. (“cannÖgen”) as a non-refundable deposit to assist with Qualifying Transaction costs.

RMR Science Technologies Inc.
Notes to the Financial Statements

For the year ended September 30, 2019 and for the period from October 17, 2017 (date of incorporation) to September 30, 2018
(Expressed in Canadian Dollars)

1. Nature of operations (Continued)

On May 30, 2019, the Company received conditional approval from the TSXV for its Qualifying Transaction and entered a definitive agreement with cannÖgen (the “Definitive Agreement”) and the holders (“cannÖgen Shareholders”) of cannÖgen common shares (“cannÖgen Shares”). Pursuant to the Definitive Agreement, RMR will acquire all of the outstanding cannÖgen Shares from the cannÖgen Shareholders in exchange for issuing an aggregate of 7,500,000 Common Shares to the cannÖgen Shareholders on the basis of one Common Share for every one cannÖgen Share. The Definitive Agreement contains such covenants, conditions and indemnities as are customary in a transaction of this nature and having regard to the business of RMR and cannÖgen including, without limitation, receipt of all applicable regulatory approvals and completion of RMR’s previously announced private placement. In connection with this proposed transaction, the Company incurred \$41,053 (2018 - \$25,000) in transaction costs.

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 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 financial statements were authorized for issue by the Board of Directors on January 28, 2020.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. **Basis of presentation** (continued)

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

3. **Significant accounting policies**

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

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:

| Financial assets/liabilities | Original classification IAS 39 | New classification IFRS 9 |
|-------------------------------------|---------------------------------------|----------------------------------|
| Cash | FVTPL | FVTPL |
| GST receivable | Receivables | Amortized cost |
| Accounts payable | Other liabilities | 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 October 1, 2018.

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 profit or loss. 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 loss and comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

3. Significant accounting policies (continued)

Financial instruments (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been 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 loss and comprehensive loss.

Significant accounting judgments, estimates and assumptions

The preparation of these 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 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 financial statements.

3. Significant accounting policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the 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.

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.

3. Significant accounting policies (continued)

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.

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

3. Significant accounting policies (continued)

New accounting standards and interpretations

A new accounting standard has been issued. This standard has been assessed to not have a significant impact on the Company's financial statements:

(a) 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 \$133,757.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of:

| | 2019 | 2018 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Accounts payable | 160,931 | 123,294 |
| Accrued liabilities | 185 | 2,500 |
| | <u>161,116</u> | <u>125,794</u> |

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

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

RMR Science Technologies Inc.
Notes to the Financial Statements

For the year ended September 30, 2019 and for the period from October 17, 2017 (date of incorporation) to September 30, 2018
(Expressed in Canadian Dollars)

6. Share capital (continued)

- 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.
- 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.
- 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.
Notes to the Financial Statements
For the year ended September 30, 2019 and for the period from October 17, 2017 (date of incorporation) to September 30, 2018
(Expressed in Canadian Dollars)

7. Stock options (continued)

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

| Number Outstanding and Exercisable | Weighted Average Exercise Price (\$) | Weighted Average Remaining Contractual (Years) |
|---|---|---|
| 760,000 | 0.10 | 3.46 |

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, 2019 are as follows:

| | Quantity | Weighted Average Exercise Price (\$) | Weighted Average Remaining Contractual (Years) (\$) |
|--------------------------------------|-----------------|---|--|
| Balance, October 17, 2017 | - | - | - |
| Issued, March 15, 2018 | 500,000 | 0.10 | 0.46 |
| Exercised, April 6, 2018 | (135,775) | 0.10 | - |
| Balance, September 30, 2018 and 2019 | 364,225 | 0.10 | 0.46 |

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 year ended September 30, 2019 and the period from October 17, 2017 (date of incorporation) and September 30, 2018, there was no compensation paid to key management. Share-based payments for directors and officers for the period from October 17, 2017 (date of incorporation) to September 30, 2018 total \$52,445.

RMR Science Technologies Inc.
Notes to the Financial Statements

For the year ended September 30, 2019 and for the period from October 17, 2017 (date of incorporation) to September 30, 2018
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9. Related party transactions (continued)

During the period from October 17, 2017 and September 30, 2018, the Company paid legal fees of \$4,354 to a law firm in which one of the directors is a partner.

Included in accounts payable is \$28 due to officers and directors of the Company. These accounts are unsecured, non-interest bearing and due on demand.

10. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2019 | 2018 |
|---|--------------|--------------|
| Loss for the period | \$ (299,792) | \$ (281,828) |
| Expected income tax (recovery) | \$ (81,000) | \$ (76,000) |
| Permanent differences | - | 14,000 |
| Share issue cost | - | (35,000) |
| Change in unrecognized deductible temporary differences | 81,000 | 97,000 |
| Total income tax expense (recovery) | \$ - | \$ - |
| Current income tax | \$ - | \$ - |
| Deferred tax recovery | \$ - | \$ - |

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

| | 2019 | 2018 |
|--|-------------|-------------|
| Deferred tax assets (liabilities) | | |
| Share issue costs | \$ 21,000 | \$ 28,000 |
| Non-capital losses available for future period | 157,000 | 69,000 |
| | 178,000 | 97,000 |
| Unrecognized deferred tax assets | (178,000) | (97,000) |
| Net deferred tax assets | \$ - | \$ - |

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10. Income taxes (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| | 2019 | Expiry Date Range | 2018 | Expiry Date Range |
|---|------------|----------------------|------------|----------------------|
| Temporary Differences | | | | |
| Share issue costs | \$ 78,000 | 2020 to 2022 | \$ 104,000 | 2019 to 2022 |
| Non-capital losses available for future periods | \$ 581,000 | 2038 to 2039 | \$ 255,000 | 2038 |
| Canada | \$ 581,000 | 2038 to 2039 | \$ 255,000 | 2038 |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. Financial instruments and risk management

As at September 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 September 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.

11. Financial instruments and risk management (continued)

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 these sources are sufficient to cover the likely short-term cash requirements, but that further funding will be required to meet long-term requirements. As at September 30, 2019, the Company had a cash balance of \$133,757 to settle current liabilities of \$161,116. 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.

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.

12. 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.

13. Proposed Transaction

On May 30, 2019, the Company received conditional approval from the TSXV for its Qualifying Transaction and entered a definitive agreement with cannÖgen (the "Definitive Agreement") and the holders ("cannÖgen Shareholders") of cannÖgen common shares ("cannÖgen Shares"). Pursuant to the Definitive Agreement, RMR will acquire all of the outstanding cannÖgen Shares from the cannÖgen Shareholders in exchange for issuing an aggregate of 7,500,000 Common Shares to the cannÖgen Shareholders on the basis of one Common Share for every one cannÖgen Share. The Definitive Agreement contains such covenants, conditions and indemnities as are customary in a transaction of this nature and having regard to the business of RMR and cannÖgen including, without limitation, receipt of all applicable regulatory approvals and completion of RMR's private placement.

Prior to the completion of the Transaction, the Company will complete a brokered private placement of 10,000,000 subscription receipts ("Subscription Receipts") at a price of \$0.50 per Subscription Receipt, for aggregate gross proceeds 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 \$0.75 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 \$1.00 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 \$32,071 (2018 - \$25,000) in deferred financing costs.

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13. Proposed Transaction (continued)

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.