Consolidated Financial Statements of

WILLOW BIOSCIENCES INC.

(FORMERLY MAKENA RESOURCES INC.)

December 31, 2019 and 2018

MANAGEMENT'S REPORT

The accompanying financial statements of Willow Biosciences Inc. (the "Corporation") are the responsibility of management. The financial statements have been prepared by management in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include certain estimates that reflect management's best judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

Management has the overall responsibility for internal controls and maintains a system of internal controls over financial reporting that provides reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility with the assistance of the Audit Committee. This Committee, consisting of non-management directors, meets with management and independent auditors to ensure that each group is properly discharging its responsibilities and to discuss adequacy of internal controls, accounting policies and financial reporting matters. The Audit Committee has reviewed the financial statements and has reported thereon to the Board of Directors. The Board of Directors has approved the financial statements and authorized them for issuance to shareholders.

KPMG LLP, an independent firm of Chartered Professional Accountants, has been engaged, as approved by the shareholders of the Corporation, to provide an independent audit opinion on the Corporation's financial statements. Their report, contained herein, outlines the nature of their audit and expresses an unqualified opinion on the financial statements.

[signed]

Trevor Peters
President and Chief Executive Officer
March 24, 2020

[signed]

Travis Doupe
Chief Financial Officer
March 24, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Willow Biosciences Inc.

Opinion

We have audited the consolidated financial statements of Willow Biosciences Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' 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 is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

– the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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.

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

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is David Yung.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 24, 2020

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	December 31, 2019	December 31, 2018
Assets		
Current		
Cash and cash equivalents	$ 19,643,939	$ 372,343
Accounts receivable – Note 9	654,244	352,111
Term deposits	90,926	-
Deposits and prepaid expenses	201,342	63,185
Inventory	189,220	-
	20,779,671	787,639
Property, plant and equipment – Note 10	5,488,628	179,395
Patents – Note 12	6,334,582	-
Right-of-use assets – Note 11	1,169,312	-
Other non-current assets	111,432	-
	$ 33,883,625	$ 967,034
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 1,100,656	$ 132,000
Current portion of lease liability – Note 11	748,265	-
	1,848,921	132,000
Warrant liability – Note 13	9,575,474	-
Lease liability – Note 11	450,401	-
	11,874,796	132,000
Shareholders' equity		
Share capital and warrants – Note 13	72,600,708	9,260,291
Contributed surplus	3,335,385	764,472
Accumulated other comprehensive loss	(170,945)	-
Deficit	(53,756,319)	(9,189,729)
Total shareholders' equity	22,008,829	835,034
	$ 33,883,625	$ 967,034

See accompanying notes to these consolidated financial statements.

Approved by the Board of Directors and authorized for issue on March 24, 2020.

	2019	2018
Revenues		
Consulting revenue – Note 6	$ 4,584	$ 16,913
	4,584	16,913
Operating Expenses		
General and administrative – Note 16	5,652,436	961,603
Research and development, net of recoveries	2,671,560	65,178
Stock based compensation – Note 13(f)	2,589,165	588,305
Depreciation and amortization – Note 10,11 and 12	2,168,167	46,391
Goodwill impairment – Note 5	31,739,103	-
Transaction and listing costs – Note 5	1,892,126	-
Gain on fair value adjustments – Note 13(d)	(496,252)	-
Net finance income – Note 14	(64,757)	-
Total operating expenses	46,151,548	1,661,477
Loss from operating activities	(46,146,964)	(1,644,564)
Deferred income tax recovery – Note 18	1,580,374	-
Net loss	$ (44,566,590)	$ (1,644,564)
Foreign exchange loss on translation of foreign operations	(170,945)	-
Net comprehensive loss	$ (44,737,535)	$ (1,644,564)
Loss per share: Basic and diluted – Note 15	$ (0.62)	$ (0.03)

See accompanying notes to these consolidated financial statements.

	Number of Common Shares	Share Capital and Warrants	Contributed Surplus	Accumulated other Comprehensive Income	Deficit	Total
	(Note 13)	(Note 13)	(Note 13)			
January 1, 2018	46,679,111	$ 7,119,976	$ 675,667	$ -	$ (7,545,165)	$ 250,478
Common shares issued from private placement	1,900,000	190,000	-	-	-	190,000
Issued in private placement of units	3,871,333	1,150,315	-	-	-	1,150,315
Exercise of options	5,000,000	500,000	(499,500)	-	-	500
Issuance of units for debt	1,000,000	300,000	-	-	-	300,000
Share-based compensation	-	-	588,305	-	-	588,305
Net loss for the year	-	-	-	-	(1,644,564)	(1,644,564)
December 31, 2018	58,450,444	$ 9,260,291	$ 764,472	$-	$ (9,189,729)	$ 835,034
January 1, 2019	58,450,444	$ 9,260,291	$ 764,472	$ -	$ (9,189,729)	$ 835,034
Exercise of options	250,000	43,252	(18,252)	-	-	25,000
Share-based compensation	-	-	2,589,165	-	-	2,589,165
Shares exchanged on reverse takeover	(58,700,444)	-	-	-	-	-
Existing shares of Makena	1,409,847	-	-	-	-	-
Shares issued to BioCan shareholders	17,142,878	1,096,125	-	-	-	1,096,125
Common shares and units issued from private placement	33,371,428	15,763,196	-	-	-	15,763,196
Share issue costs	-	(1,841,909)	-	-	-	(1,841,909)
Common shares issued on acquisition of Epimeron	17,143,199	36,429,298	-	-	-	36,429,298
Common shares issued on exercise of performance warrants	9,219,390	8,066,952	-	-	-	8,066,952
Common shares issued on exercise of warrants	584,080	400,000	-	-	-	400,000
Transfer of warrant liability to common shares and warrants	-	3,365,078	-	-	-	3,365,078
Common shares and units issued from private placement	21,057	18,425	-	-	-	18,425
Foreign exchange loss on translation of foreign operations	-	-	-	(170,945)	-	(170,945)
Net loss for the year	-	-	-	-	(44,566,590)	(44,566,590)
December 31, 2019	78,891,879	$ 72,600,708	$ 3,335,385	$ (170,945)	$ (53,756,319)	$ 22,008,829

See accompanying notes to these consolidated financial statements.

	2019	2018
Cash provided by (used for):		
Operating activities		
Net loss	$ (44,566,590)	$ (1,644,564)
Items not affecting cash and cash equivalents:		
Depreciation and amortization – Note 10,11 and 12	2,168,167	46,391
Impairment of goodwill – Note 5	31,739,103	-
Gain on fair value of warrant liability – Note 13(d)	(496,252)	-
Stock based compensation – Note 13(f)	2,589,165	588,305
Share listing expense – Note 5	1,288,296	-
Deferred income tax recovery – Note 18	(1,580,374)	-
Interest on lease liabilities	48,139	
Funds used in operations	(8,810,346)	(1,009,868)
Net change in non-cash working capital – Note 17	(351,049)	(323,216)
	(9,161,395)	(1,333,084)
Financing activities		
Issuance of common shares and warrants – private placement net of share issue costs – Note 13	27,376,516	1,340,315
Stock option exercise – Note 13	25,000	500
Exercise of warrants – Note 13	8,466,952	-
Amounts due to related party	-	(21,058)
Lease payments	(493,057)	-
Long-term deposit	(111,432)	-
	35,263,979	1,319,757
Investing activities		
Expenditures on property, plant and equipment – Note 10	(6,712,423)	(202,844)
Net change in non-cash working capital – Note 17	(176,421)	-
Cash acquired from acquisitions – Note 5	57,856	-
	(6,830,988)	(202,844)
Increase (decrease) in cash and cash equivalents	19,271,596	(216,171)
Cash and cash equivalents, beginning of year	372,343	588,514
Cash and cash equivalents, end of year	$ 19,643,939	$ 372,343

Supplementary cash flow information – Note 17

See accompanying notes to these consolidated financial statements.

Note 1 - Reporting Entity

Makena Resources Inc. ("Makena") was an exploration-stage company, whose principal business activities included the acquiring and exploring of exploration and evaluation mining assets.

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

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

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

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

The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "WLLW", and under the trading symbol "CANSF" on the OTCQB® Market.

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

Note 2 - Basis of Presentation

Statement of Compliance

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements were approved and authorized for issuance on March 24, 2020.

Basis of Measurement

The financial statements have been prepared on a historical cost basis as modified, when applicable, by the revaluation of financial liabilities recorded at fair value, if any.

Functional and Presentation Currency

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

Use of Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. These estimates include impairment indicators for goodwill and patents, amortization period for patents and property, plant and equipment, compensation costs accrued for the share-based compensation plan and warrant valuation which are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of the Corporation's shares and expected term of the issued stock options, warrants and performance warrants.

Continuing Operations

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to meet its commitments, realize its assets and discharge its liabilities. The Corporation has a history of operating losses and negative cash flows from operations and has no current sources of revenue. The Corporation's ability to continue its operations on a going concern basis is dependent upon receiving continued support from its shareholders, its ability to raise additional financing through issuing equity or debt, and ultimately achieving profitable operations. There is no assurance that the Corporation will be successful in these efforts. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Corporation was unable to continue as a going concern and such adjustments could be material.

Note 3 - Significant accounting policies

a) Consolidation

These consolidated financial statements include the accounts of the subsidiaries, Epimeron USA, Inc. and BioCan Technologies Inc. The Corporation's former subsidiaries, Vindolon Inc., Epimeron Inc. and Serturner Inc. were amalgamated with the Corporation on June 30, 2019.

Subsidiaries:

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

Transactions eliminated on consolidation:

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

b) Foreign currencies

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

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

c) Business Combinations and Goodwill

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

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

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

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

d) Financial Instruments

i. Financial assets

The Corporation initially recognizes accounts receivable and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation has the following financial assets:

Financial instrument	Initial measurement	Subsequent measurement
Cash and cash equivalents	Fair value	Amortized cost
Term deposits	Fair value	Amortized cost
Accounts receivable	Fair value	Amortized cost

Cash and Cash Equivalents

Cash and cash equivalents includes cash-on-hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Term Deposits

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

ii. *Financial Liabilities*

Financial liabilities are initially measured at fair value net any transaction costs directly attributable to the issuance of the instrument and are subsequently measured at amortized cost.

The Corporation has the following financial liabilities:

Financial instrument	**Initial measurement**	**Subsequent measurement**
Accounts payable and accrued liabilities	Fair value	Amortized cost
Warranty liability	Fair value	FVTPL

e) Inventory

Inventory consists of chemicals, consumables, labware, general supplies and yeast for use primarily in our labs. Expenditures on lab supplies are initially capitalized when incurred, and the expense is recognized at a future date when the supplies are used. They are carried at cost, and these costs are recognized as the lab supplies are consumed in research and development activities in the statement of comprehensive (income) loss or when the lab supplies are no longer expected to be used.

At each reporting date the Corporation assessed whether there was any objective evidence that inventory is impaired. It was deemed to be impaired, if, and only if, there was objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event had an impact on the estimated future cash flows of the asset.

f) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost and any cost directly attributable to bringing the asset into operation.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount with any gain or loss recognized in earnings.

Category	**Policy**	**Duration**
Leasehold Improvements	Straight line amortization	Two-five years
Lab Equipment	Straight line amortization	Three years
Software	Straight line amortization	One year
Information Technology	Straight line amortization	Three years
Office Furniture and Equipment	Straight line amortization	Five years

g) Patents

Patents is comprised of acquired intellectual property, which consists of patents that the Corporation acquired from its acquisition of Epimeron Inc. The patents are recorded at cost and are amortized on a straight-line basis over an estimated useful life of 16 – 21 years net of any accumulated impairment losses.

Research and Development

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

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

Investment Tax Credits and Government Assistance

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

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

h) Leases

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases which had previously been classified as "operating" leases under the principles of IAS 17 - Leases ("IAS 17"). A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Corporation.

A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date, discounted at the Corporation's incremental borrowing rate where the rate implicit in the lease is not readily determinable. The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Each lease payment is allocated between the liability and lease interest expense. The lease interest expense is charged to the Consolidated statement of comprehensive income (loss) over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A corresponding right-of-use asset is recognized at the amount of the lease liability. The right-of-use asset is depreciated on a straight line basis over the term of the lease.

The preparation of the financial statements in accordance with IFRS 16 requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates and assumptions related to the application of IFRS 16 include:

a) Incremental borrowing rate

The incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities and the resulting lease interest and depreciation expense may differ due to changes in the market conditions and lease term.

(b) Lease term

Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

i) Impairment

The Corporation assesses at each reporting date whether there is any indication that an asset or a group of assets is impaired.

Property, plant and equipment and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels (cash-generating units or "CGU") for which there are separately identifiable cash flows that are largely independent of the cash flows of other assets or CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Corporation re-evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation or amortization, if no impairment loss had been recognized.

j) Employee benefits

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees, officers, and directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the Corporation's share-based payment awards is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Corporation's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not considered in determining fair value.

Any consideration received upon exercise of the options and similar instruments together with the amount of non-cash compensation cost recognized in contributed surplus is recorded as an increase in common shares.

k) Finance income and costs

Finance income is comprised of interest income on outstanding cash balances. Finance income is recognized as it accrues in net income or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

l) Government grants

Grants resulting from government assistance programs, including investment tax credits for research and development expenditures, are reflected as reductions of the cost of the assets or expenditures to which they relate at the time the assistance becomes receivable.

m) Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Corporation reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares or options are recognized as a deduction from equity.

o) Per share amounts

Basic (earnings) loss per share (“EPS”) is calculated by dividing the net (earnings) loss for the period attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Corporation uses the treasury stock method to determine the dilutive effect of issued instruments (stock options, and warrants). This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

p) Change in Accounting Policies

IFRS 16 - Leases

The Corporation adopted IFRS 16 "Leases" on January 1, 2019. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use asset and lease obligations on the statement of financial position. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets can be elected to be exempt from the requirements and may continue to be treated as operating leases. IFRS 16 applies to reporting periods beginning on or after January 1, 2019.

The Corporation has adopted IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, the financial information will not be restated and will continue to be reported under the accounting standards in effect for the relevant periods. The leases in scope were recognized on the Corporation’s statement of financial position with a right-of-use asset and a corresponding lease obligation representing the present value of the remaining lease payments, discounted using the Corporation’s incremental borrowing rate of 5.45% at the date the lease commenced. The right-of-use asset is depreciated over the term of the lease. The lease obligation is measured at amortized cost using the effective interest rate method. As lease payments are recognized, the lease obligation is reduced.

Adjustments to the consolidated statements of financial position at January 1, 2019 is as follows:

	As reported as at December 31, 2018	Adjustment	Restated balance as at January 1, 2019
Right-of-use assets	-	$ 278,116	$ 278,116
Lease liabilities	-	(278,116)	(278,116)
Total	-	$ -	$ -

Note 4 - Significant judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgements and estimates made by management affecting the consolidated financial statements include:

a) Share-based payment transactions

The Corporation measures share-based payment transactions by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model, including the expected life of the option, volatility and forfeitures. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 13.

b) Warrant liability

The Corporation measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. This estimate also requires management to make significant judgments about the capacity in which warrant holders receive warrants, and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. The assumptions and model used for estimating fair value for the warrant liability are disclosed in Note 13.

c) Impairment of property, plant and equipment (PP&E) and intangible assets

The Corporation assesses at each reporting date whether there is any indication that PP&E and intangible assets are impaired.

PP&E and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels (cash-generating units or "CGU") for which there are separately identifiable cash flows that are largely independent of the cash flows of other assets or CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognized in net income or loss.

The Corporation re-evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation or amortization, if no impairment loss had been recognized.

Note 5 - Acquisitions

(a) Makena Acquisition

On March 22, 2019, the Corporation entered into a definitive agreement to be acquired by Makena Resources Inc. The acquisition was completed via a reverse takeover whereby Makena acquired 100% of the outstanding common shares of BioCan by issuing 17,142,878 common shares of Makena, which resulted in BioCan shareholders gaining control of Makena. Additionally, 729,748 warrants and 37,490 options were issued. The transaction closed on April 12, 2019. At the time of the transaction, Makena had 1,409,847 common shares outstanding.

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

Total consideration, payable in common shares	$ 1,096,125

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

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

(b) Epimeron Acquisition

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

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

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

Assets and liabilities acquired	
Current assets	$ 264,461
Right-of-use assets – leases	667,903
Property, plant and equipment	25,974
Patents	6,599,316

Current liabilities	(619,266)
Deferred tax liability	(1,580,374)
Lease liability	(667,819)
Goodwill	31,739,103
Net assets acquired	$ 36,429,298

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

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

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

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

Note 6 - Revenue

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

The Corporation recorded $4,584 for the year ended December 31, 2019 (December 31, 2018- $16,913).

Note 7 - Capital Management

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

Note 8 - Financial Instruments and Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's financial instruments at December 31, 2019 include cash and cash equivalents, accounts receivable, term deposits, accounts payable and accrued liabilities and lease liability.

(a) Fair Values of Financial Instruments

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

(b) Risks Associated with Financial Assets and Liabilities

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk

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

Liquidity risk

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

Market risk

Market risk is the risk that fluctuations in interest rates and foreign currency rates will affect the Corporation's net loss and comprehensive loss or the value of its financial assets and liabilities. The Corporation has no significant market risk exposure at December 31, 2019 other than currency risk, as discussed below.

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

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

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

(in USD)	**December 31, 2019**	**December 31, 2018**
Cash and cash equivalents	$ 400,405	$ -
Deposits and prepaid expenses	127,023	-
Accounts payable and accrued liabilities	(174,006)	-
Lease liability	(314,344)	-
Net holdings	$ 39,078	$ -
Impact of 5% strengthening of USD based on above exposure	CAD$ 2,553	CAD$ -

Note 9 – Accounts Receivable

	December 31, 2019	**December 31, 2018**
Trade receivables, net of allowance for doubtful accounts	$ 51,192	$ -
Accrued and other receivables	603,052	352,111

Total	$ 654,244	$ 352,111

Note 10 – Property, Plant and Equipment

	Leasehold improvements	**Lab equipment**	**Software and IT**	**Office furniture and equipment**	**Total**
Cost					
As at December 31, 2017	$ -	$ -	$ 104,658	$ 87,770	$ 192,428
Additions	17,100	178,859	-	6,885	202,844
As at December 31, 2018	17,100	178,859	104,658	94,655	395,272
Acquisition of Epimeron	-	25,974	-	-	25,974
Additions	137,534	6,288,020	240,474	151,050	6,817,078
Disposals	-	-	(104,658)	-	(104,658)
As at December 31, 2019	$154,634	$ 6,492,853	$ 240,474	$ 245,705	$ 7,133,666

	Leasehold improvements	**Lab equipment**	**Software and IT**	**Office furniture and equipment**	**Total**
Accumulated depreciation					
As at December 31, 2017	$ -	$ -	$ 104,658	$ 64,828	$ 169,486
Depreciation expense	1,366	26,695	-	18,330	46,391
As at December 31, 2018	1,366	26,695	104,658	83,158	215,877
Depreciation expense	15,714	1,445,948	63,819	8,338	1,533,819
Disposal	-	-	(104,658)	-	(104,658)
As at December 31, 2019	$ 17,080	$ 1,472,643	$ 63,819	$ 91,496	$ 1,645,038

	Leasehold improvements	**Lab equipment**	**Software and IT**	**Office furniture and equipment**	**Total**
Net Book Value					
As at December 31, 2017	$ -	$ -	$ -	$ 22,942	$ 22,942
As at December 31, 2018	$ 15,734	$ 152,164	$ -	$ 11,497	$ 179,395
As at December 31, 2019	$ 137,554	$ 5,020,210	$ 176,655	$ 154,209	$ 5,488,628

Note 11 – Leases

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

Right-of-use asset

	Total
Cost	
Balance at January 1, 2019	$ 278,116
Acquisition of Epimeron – Note 5	667,903
Additions	697,565
Balance at December 31, 2019	$ 1,643,584

Accumulated depreciation	
Balance at January 1, 2019	$ -
Charge for the year	(474,272)
Balance at December 31, 2019	$ (474,272)

Net book value	
As at December 31, 2018	$ -
As at December 31, 2019	$ 1,169,312

Lease liabilities

	Total
Lease liability at January 1, 2019	$ 278,116
Acquisition of Epimeron – Note 5	667,819
Additions	697,649
Interest expense on lease liability	48,139
Payments on lease liability	(493,057)
Lease liability at December 31, 2019	$ 1,198,666

Lease liabilities in the statement of financial position at December 31, 2019	
Current	$ 748,265
Non-current	450,401
Balance at December 31, 2019	$ 1,198,666

Note 12 - Patents

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

The cost of the patents are being amortized over their useful lives of 16 – 21 years.

The Corporation reviews the current value of patents at each reporting period for indicators of impairment. The patents were acquired as a part of the recent acquisition of Epimeron on April 12, 2019 and was assessed for impairment then, there are no indicators of impairment during the period ended December 31, 2019.

Cost	
Balance at December 31, 2017 and 2018	$ -
Acquisition of Epimeron – Note 5	6,599,316
Balance at December 31, 2019	$ 6,599,316

Accumulated depletion and depreciation	
Balance at December 31, 2017 and 2018	$ -
Charge for the year	(264,734)
Balance at December 31, 2019	$ (264,734)

Net book value	
As at December 31, 2018	$ -

As at December 31, 2019	$ 6,334,582

Note 13 - Share Capital

(a) Authorized

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

(b) Issued and Outstanding

	Number of Common Shares	Share Capital and Warrants
January 1, 2018	46,679,111	$ 7,119,976
Common shares issued from private placement	1,900,000	190,000
Issued in private placement of units (net of costs)	3,871,333	1,150,315
Exercise of options	5,000,000	500
Issued to a related party upon cancellation of debt	1,000,000	300,000
Transfer to contributed surplus on exercise of options	-	499,500
December 31, 2018	58,450,444	$ 9,260,291
Exercise of options	250,000	43,252
Shares exchanged on reverse takeover	(58,700,444)	-
Existing shares of Makena	1,409,847	-
Shares issued to BioCan shareholders	17,142,878	1,096,125
Common shares and units issued from private placement	33,371,428	15,763,196
Share issue costs	-	(1,841,909)
Common shares issued on acquisition of Epimeron	17,143,199	36,429,298
Common shares issued on exercise of performance warrants	9,219,390	8,066,952
Common shares issued on exercise of warrants	584,080	400,000
Transfer of warrant liability to common shares and warrants	-	3,365,078
Common shares and units issued from private placement	21,057	18,425
December 31, 2019	78,891,879	$ 72,600,708

On January 8, 2018, the Corporation issued 650,000 shares by way of a non-brokered private placement at a price of $0.10 per share. On March 8, 2018, the Corporation issued 1,250,000 shares by way of a non-brokered private placement at a price of $0.10 per share to a director of the Corporation.

On July 6, 2018, the Corporation closed the first tranche of a financing by issuing 1,766,000 units at a price of $0.40 per unit. Each unit consists of one common share and one common share purchase warrant with an exercise price of $0.60 and is valid for 18 months. The proceeds of the common share and common share purchase warrant have been included in share capital.

The Corporation closed the second and final tranche on August 9, 2018 by issuing 1,516,665 units at a price of $0.30 per unit. Each unit consists of one common share and one full common share purchase warrant with an exercise price of $0.45 per share and is valid for 18 months. The proceeds of the common share and common share purchase warrant have been included in share capital.

The second tranche trigged a re-pricing of the first tranche which resulted in the issuance of an additional 588,668 common shares and share purchase warrants with an exercise price of $0.45 per share and valid for 18 months from the closing of the first tranche. Existing share purchase warrants issued from the first tranche were also repriced to $0.45 per share. The proceeds of the common share and common share purchase warrant have been included in share capital. Total combined gross proceeds from both tranches was $1,161,400, with costs of $11,085.

1,583,333 of the shares issued in the private placements during 2018 were issued to related parties, directors and employees of the Corporation.

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

On April 12, 2019, the Corporation received approval from the CSE and completed a private placement raising $29.2 million by the issuance of an aggregate 33,371,428 common shares and units at $0.875 each. Each unit consists of one common share and one performance warrant. A total of 9,201,706 common shares and 24,169,722 units were issued. Also, on April 12, 2019, the Corporation completed the acquisition of Epimeron Inc. by issuance of 17,143,199 common shares and a reverse takeover of Makena by issuance of 17,142,878 common shares to BioCan shareholders.

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

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

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

(c) Issued and outstanding warrants

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

Warrants outstanding and the weighted average remaining life of the warrants at December 31, 2019 are as follows:

	Warrants Outstanding		Warrants Vested	
Exercise Price $	Number of Warrants	Weighted Average Remaining Life (years)	Number of Warrants	Weighted Average Remaining Life (years)
$ 1.54	1,422,624	0.1	1,422,624	0.1
25.00	20,800	0.5	20,800	0.5

25.00	13,960	0.9	13,960	0.9
25.00	65,000	1.3	65,000	1.3
25.00	37,175	1.5	37,175	1.5
4.00	579,313	2.8	579,313	2.8
$ 3.71	2,138,872	0.9	2,138,872	0.9

(d) Issued and outstanding performance warrants

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

The Corporation issued 2,282,678 performance warrants to certain employees and directors on November 6, 2017. The performance warrants were cancelled on June 14, 2018.

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

On April 12, 2019, the Corporation received approval from the CSE and completed a private placement raising gross proceeds of $29.2 million by the issuance of an aggregate 33,371,428 common shares and units at $0.875 each. Each unit consists of one common share and one performance warrant. A total of 9,201,706 common shares and 24,169,722 units were issued. The units were issued to the new management team, employees, directors and certain strategic investors as identified by the new management team. Each performance warrant entitles the holder to purchase one common share at a price of $0.875 for a period of 5 years, after certain vesting requirements. The performance warrants vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares (the "Market Price") equalling or exceeding $1.31, an additional one-third upon the Market Price equalling or exceeding $1.75 and a final one-third upon the Market Price equalling or exceeding $2.19. In addition, in the event the Market Price equals or exceeds $3.50, each performance warrant shall be exercisable for 1.5 common shares, provided that, at the time of exercise in respect of the additional 0.5 of a common share per performance warrant (the "Performance Incentive"), the common shares are listed on the facilities of a recognized stock exchange (other than the CSE or the TSX-Venture) or the common shares are acquired for cash or for the securities of a corporation listed on a recognized stock exchange (other than the CSE or the TSX-Venture). If these conditions are met then an additional 12,095,359 common shares will be issued.

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

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

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

The Corporation valued the performance warrants issued in connection with this private placement using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.60 - 1.80%; volatility of 82%; dividend yield of 0% and approximate expected lives of 3.5-5 years, inclusive of incremental Performance Incentive. At initial valuation, $13,436,804 was recognized as warranty liability. On exercise date, $3,365,078 has been recognized in equity under common shares and warrants, as the Market Price vesting conditions have been met, and the remainder which has not yet vested has been recorded as warrant liability. At December 31, 2019, the warrants have been fair valued at $9,575,474.

Performance warrants outstanding and the weighted average remaining life of the performance warrants at December 31, 2019 are as follows:

	Performance Warrants Outstanding		Performance Warrants Vested	
Exercise Price $	Number of Performance Warrants	Weighted Average Remaining Life (years)	Number of Performance Warrants	Weighted Average Remaining Life (years)
$ 1.20	584,080	0.1	584,080	0.1
0.875	14,971,389	4.3	6,907,796	4.3
$ 0.89	15,555,469	4.1	7,491,876	4.1

(e) Issued and outstanding employee stock options

	Number of Employee Stock Options	Weighted Average Exercise Price $
Options at December 31, 2017	2,082,816	$ 0.15
Issued	365,050	0.07
Cancelled	(914,656)	0.34
Exercised	(1,460,200)	0.0003
Options at December 31, 2018	73,010	$ 0.34
Issued from Makena reverse takeover	37,490	4.75
Expired	(37,490)	4.75
Exercised	(73,010)	0.34
Cancelled	(90,000)	1.18
Issued	5,422,800	1.50
Options at December 31, 2019	5,332,800	$ 1.51

The following table summarizes information about the options outstanding and exercisable at December 31, 2019.

Outstanding at December 31, 2019	Exercise Price	Remaining life (years)	Exercisable at December 31, 2019
3,644,800	$ 1.75	4.34	1,214,933
1,118,000	0.60	4.70	372,667

570,000	0.66	4.91	190,000
5,332,800	$ 1.51	4.48	1,777,600

As at December 31, 2019, the Corporation recorded an expense of $2,557,397 (December 31, 2018 –$273,858) to stock-based compensation expense recognizing the stock option activity for the period based on the fair value of options issued amortized using a graded vesting calculation.

(f) Share-based compensation expense

	December 31,	
	2019	**2018**
Stock options	$ 2,557,397	$ 273,858
Performance warrants	31,768	314,447
Total	$ 2,589,165	$ 588,305

Note 14 - Finance Income

	December 31,	
	2019	**2018**
Interest on savings account	$ (112,896)	$ -
Interest on lease liabilities	48,139	-
Total	$ (64,757)	$ -

Note 15 - Per Share Amounts

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

	December 31,	
	2019	**2018**
Net loss	$ (44,566,590)	$ (1,644,564)
Weighted average common share adjustments		
Weighted average common shares outstanding, basic and diluted	72,072,654	54,811,551

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

Note 16 - Statements of Comprehensive Loss Supplementary Information

General and Administrative Expenses

	2019	**2018**
Consulting and technical services	$ 671,254	$ 11,600
Salaries, wages and benefits	1,489,325	425,390
Legal, audit and accounting	834,920	222,461
Investor relations	826,456	160,620
Corporate and office	1,830,481	141,532

	$5,652,436	$ 961,603

Note 17 - Statements of Cash Flows Supplementary Information

(a) Net change in non-cash working capital

	2019	2018
Accounts receivable	$ (408,995)	$ (326,615)
Term deposits	(60,520)	-
Deposits and prepaid expenses	(16,932)	(40,418)
Inventory	(189,220)	-
Accounts payable and accrued liabilities	148,197	43,817
	$ (527,470)	$ (323,216)
Relating to:		
Investing activities	$ (176,421)	$ -
Operating activities	(351,049)	(323,216)
	$ (527,470)	$ (323,216)

(b) Supplementary cash flow information

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

Note 18 - Income Taxes

(a) Deferred Income Tax Expense (Recovery)

The income taxes shown on the statements of comprehensive loss differ from amounts obtained by applying statutory rates due to the following:

	2019	2018
Loss before income taxes	$ (46,146,964)	$ 1,644,564
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	$ (12,459,680)	$ (444,032)
Non-deductible items and other	9,137,573	148,489
Small business deduction	-	-
Change in tax rates	432,087	(952,046)
Change in unrecognized tax benefits	1,309,646	1,247,589
Income tax recovery	$ (1,580,374)	$ -

(b) Deferred Income Tax Asset

The components of the Corporation's unrecognized deductible temporary difference are as follows:

	2019	2018
Share issuance costs	$ 1,582,114	$ 8,868
Plant, property and equipment	435,558	36,276
Capital losses	856,892	62,360
Non-capital losses	10,626,550	7,480,706

Unrecognized deductible temporary differences	$ 13,501,114	$ 7,588,210

As at December 31, 2019, the Corporation had approximately $13.5 million (December 31, 2018 - $7.6 million) in tax pools available for deduction against future taxable income. Included in this tax basis are estimated non-capital loss carry forwards of approximately $16.9 million (December 31, 2018 - $7.7 million) that expire between 2034 and 2038. The tax pools have not been recorded in the Corporation's records as it is not probable that they will be realized.

Note 19 - Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Corporation's activities as a whole. Key management personnel consist of the members of the Board of Directors along with senior officers of the Corporation.

Key management personnel compensation is comprised of:

	2019	**2018**
Salaries and benefits	$ 910,766	$ 200,408
Share-based compensation	1,143,357	158,861
Total	$2,054,123	$ 359,269

Note 20 - Subsequent Event

The global impact of the COVID-19 has resulted in significant declines in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy over the next 12 to 18 months. These factors are likely to have a negative impact on the Corporation's ability to raise equity, if required, in the near future or on terms favorable to the Corporation. The potential impact that COVID-19 will have on our business or financial results cannot be reasonably estimated at this time. However, any shutdowns requested or mandated by government authorities in response to the outbreak of COVID-19 may have a material impact to the Corporation's planned research and development activities.