



**CB2 Insights Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**June 30, 2020**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of CB2 Insights Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2020 have not been reviewed by the Company's auditors.

# CB2 INSIGHTS INC.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars) (Unaudited)

|   | June 30,<br>2020     | December 31,<br>2019 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                     |                      |                      |
| <b>Current assets</b>                             |                      |                      |
| Cash  | \$ 1,292,991         | \$ 130,273           |
| Inventories                                       | 34,111               | 36,965               |
| Trade and other receivables (note 4)              | 244,085              | 309,353              |
| Prepaid expenses                                  | 30,310               | 25,436               |
| <b>Total current assets</b>                       | <b>1,601,497</b>     | <b>502,027</b>       |
| Furniture and equipment (note 5)                  | 126,287              | 182,028              |
| Right-of-use assets (note 6)                      | 1,275,075            | 1,532,128            |
| Computer software and technology (note 7)         | 1,104,229            | 1,312,170            |
| Other intangible assets (note 8)                  | 4,272,779            | 4,321,118            |
| Goodwill (note 8)                                 | 1,715,159            | 1,634,611            |
| <b>Total assets</b>                               | <b>\$ 10,095,026</b> | <b>\$ 9,484,082</b>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                      |                      |
| <b>Current liabilities</b>                        |                      |                      |
| Accounts payable and accrued liabilities          | \$ 1,839,346         | \$ 1,849,115         |
| Payable to related parties                        | 20,071               | 24,840               |
| Promissory note payable (note 10)                 | -                    | 4,003,465            |
| Loan payable (note 11)                            | 254,711              | -                    |
| Purchase consideration payable                    | -                    | 566,318              |
| Lease liabilities (note 12)                       | 736,656              | 769,570              |
| <b>Total current liabilities</b>                  | <b>2,850,784</b>     | <b>7,213,308</b>     |
| Promissory note payable (note 10)                 | 4,536,484            | -                    |
| Loan payable (note 11)                            | 634,516              | -                    |
| Lease liabilities (note 12)                       | 677,781              | 883,441              |
| <b>Total liabilities</b>                          | <b>8,699,565</b>     | <b>8,096,749</b>     |
| <b>Shareholders' equity</b>                       |                      |                      |
| Share capital (note 13)                           | 16,286,610           | 12,224,770           |
| Warrant reserve (note 13)                         | 1,053,364            | 3,356,534            |
| Option reserve (note 13)                          | 1,887,337            | 1,552,361            |
| Shares and units to be issued                     | 95,155               | 334,903              |
| Accumulated other comprehensive income            | 227,609              | 440,976              |
| Accumulated deficit                               | (18,154,614)         | (16,522,211)         |
| <b>Total shareholders' equity</b>                 | <b>1,395,461</b>     | <b>1,387,333</b>     |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 10,095,026</b> | <b>\$ 9,484,082</b>  |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**Nature of operations and going concern** (note 1)

**CB2 INSIGHTS INC.**

Condensed Interim Consolidated Statements of (Loss) and Comprehensive (Loss)  
(Expressed in Canadian Dollars)  
(Unaudited)

|   | Three months ended<br>June 30, |                       | Six months ended<br>June 30, |                       |
|---|--------------------------------|-----------------------|------------------------------|-----------------------|
|   | 2020                           | 2019                  | 2020                         | 2019                  |
| <b>Revenues</b>   |                                |                       |                              |                       |
| Software  | \$ 19,043                      | \$ 6,018              | \$ 33,289                    | \$ 10,470             |
| Contract research solutions   | 48,601                         | -                     | 75,494                       | -                     |
| Clinic  | 3,632,829                      | 3,251,003             | 6,523,716                    | 6,096,362             |
|   | <b>3,700,473</b>               | <b>3,257,021</b>      | <b>6,632,499</b>             | <b>6,106,832</b>      |
| Cost of sales   | 1,088,015                      | 1,129,270             | 2,118,346                    | 1,784,958             |
| <b>Gross profit</b>   | <b>2,612,458</b>               | <b>2,127,751</b>      | <b>4,514,153</b>             | <b>4,321,874</b>      |
| <b>Operating expenses</b>   |                                |                       |                              |                       |
| Salaries and wages  | 1,114,755                      | 1,817,305             | 2,505,715                    | 2,922,692             |
| Office and administration   | 421,912                        | 470,319               | 798,512                      | 837,112               |
| Marketing and business development  | 49,221                         | 275,912               | 105,790                      | 812,423               |
| Professional fees   | 259,895                        | 596,362               | 486,249                      | 1,066,463             |
| Rent  | 30,861                         | 43,363                | 98,980                       | 83,440                |
| Share-based compensation  | 22,384                         | 82,744                | 336,454                      | 266,647               |
| Depreciation and amortization   | 626,643                        | 571,026               | 1,240,791                    | 1,062,343             |
| <b>Total operating expenses</b>   | <b>2,525,671</b>               | <b>3,857,031</b>      | <b>5,572,491</b>             | <b>7,051,120</b>      |
| <b>Gain (Loss) from operations</b>  | <b>86,787</b>                  | <b>(1,729,280)</b>    | <b>(1,058,338)</b>           | <b>(2,729,246)</b>    |
| <b>Financing expenses</b>   |                                |                       |                              |                       |
| Foreign exchange (gain)/ loss   | 229,476                        | 2,057                 | (435,457)                    | 4,104                 |
| Reverse takeover transaction cost   | -                              | -                     | -                            | 807,995               |
| Change in fair value (note 10)  | 768,939                        | 198,127               | 1,223,796                    | 396,254               |
| Accretion on convertible debentures   | -                              | -                     | -                            | 28,632                |
| Interest on lease liabilities (note 12)   | 44,866                         | 56,186                | 92,998                       | 104,017               |
| Gain on debt settlement (note 10)   | (294,753)                      | (166,311)             | (294,753)                    | (166,311)             |
| <b>Net loss before income taxes</b>   | <b>(661,741)</b>               | <b>(1,819,339)</b>    | <b>(1,644,922)</b>           | <b>(3,903,937)</b>    |
| Income tax expense  | -                              | 190                   | -                            | 61,795                |
| <b>Net loss</b>   | <b>(661,741)</b>               | <b>(1,819,529)</b>    | <b>(1,644,922)</b>           | <b>(3,965,732)</b>    |
| <b>Other comprehensive loss</b>   |                                |                       |                              |                       |
| Exchange difference on translation of foreign operations, net of tax            | 12,783                         | (251,220)             | (213,367)                    | (311,105)             |
| <b>Net loss and comprehensive loss</b>  | <b>\$ (648,958)</b>            | <b>\$ (2,070,749)</b> | <b>\$ (1,858,289)</b>        | <b>\$ (4,276,837)</b> |
| <b>Basic and diluted net loss per common share</b>                              | <b>\$ (0.007)</b>              | <b>\$ (0.023)</b>     | <b>\$ (0.018)</b>            | <b>\$ (0.054)</b>     |
| <b>Weighted average number of common shares outstanding - basic and diluted</b> | <b>95,926,541</b>              | <b>78,703,691</b>     | <b>93,273,722</b>            | <b>73,860,402</b>     |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

## CB2 INSIGHTS INC.

### Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian Dollars) (Unaudited)

| Six months ended June 30,                                   | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>Operating activities</b>                                 |                     |                     |
| Net loss for the period                                     | \$ (1,644,922)      | \$ (3,965,732)      |
| Adjustments for:  |                     |                     |
| Depreciation and amortization                               | 1,240,791           | 1,062,343           |
| Unrealized foreign exchange loss                            | (444,531)           | -                   |
| Accretion on convertible debentures                         | -                   | 28,632              |
| Interest on lease liabilities                               | 92,998              | 104,017             |
| Reverse takeover transaction cost                           | -                   | 807,995             |
| Share-based compensation                                    | 336,454             | 266,647             |
| Write-off of bad debt                                       | 35,648              | -                   |
| Change in fair value  | 1,223,796           | 396,254             |
| Gain on debt settlement                                     | (294,753)           | (166,311)           |
| Changes in non-cash working capital items:                  |                     |                     |
| Inventories   | 4,684               | (4,790)             |
| Trade and other receivables (note 4)                        | 70,300              | 36,733              |
| Prepaid expenses  | (4,632)             | (47,069)            |
| Accounts payable and accrued liabilities                    | 269,415             | 508,645             |
| Income taxes  | -                   | 61,795              |
| <b>Net cash generated by (used in) operating activities</b> | <b>885,248</b>      | <b>(910,841)</b>    |
| <b>Investing activities</b>                                 |                     |                     |
| Purchase of furniture and equipment                         | -                   | (35,578)            |
| Development of computer software                            | (255,284)           | (600,000)           |
| <b>Net cash used in investing activities</b>                | <b>(255,284)</b>    | <b>(635,578)</b>    |
| <b>Financing activities</b>                                 |                     |                     |
| Repayment to related parties                                | (5,000)             | -                   |
| Shares and warrants issued and to be issued for cash        | 188,367             | 2,474,374           |
| Principal payment of lease liabilities                      | (439,542)           | (296,332)           |
| Interest paid on lease liabilities                          | (92,998)            | (104,017)           |
| Proceeds from loan  | 916,958             | -                   |
| Proceeds from issuance of promissory note                   | -                   | 787,800             |
| Purchase consideration paid                                 | -                   | (467,495)           |
| <b>Net cash provided by financing activities</b>            | <b>567,785</b>      | <b>2,394,330</b>    |
| <b>Net increase in cash during the period</b>               | <b>1,197,749</b>    | <b>847,911</b>      |
| Effect of foreign currency on cash                          | (35,031)            | 1,633               |
| <b>Cash, beginning of period</b>                            | <b>130,273</b>      | <b>433,833</b>      |
| <b>Cash, end of period</b>                                  | <b>\$ 1,292,991</b> | <b>\$ 1,283,377</b> |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**CB2 INSIGHTS INC.****Condensed Interim Consolidated Statement of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****(Unaudited)**

|  | Number of<br>shares | Share<br>Capital     | Warrant<br>Reserve | Option<br>Reserve | Shares and<br>Units to be<br>Issued | Equity<br>component<br>of<br>convertible<br>debenture | Accumulated<br>other<br>comprehensive<br>income | Deficit              | Total               |
|--|---------------------|----------------------|--------------------|-------------------|-------------------------------------|---|---|----------------------|---------------------|
| <b>Balance, January 1, 2019</b>                          | <b>63,373,816</b>   | <b>\$ 7,794,137</b>  | <b>\$2,685,560</b> | <b>\$ 301,623</b> | <b>\$ 75,499</b>                    | <b>\$ 82,428</b>                                      | <b>\$ 457,990</b>                               | <b>\$(5,547,759)</b> | <b>\$ 5,849,478</b> |
| Private placement (note 13 (b))                          | 5,133,338           | 1,711,384            | 855,285            | -                 | (75,499)                            | -   | -   | -                    | 2,491,170           |
| Share issuance costs - cash                              | -                   | (15,584)             | (8,146)            | -                 | (6,142)                             | -   | -   | -                    | (29,872)            |
| Share issuance costs - warrants                          | -                   | (25,799)             | 25,799             | -                 | -                                   | -   | -   | -                    | -                   |
| Shares issued in settlement of<br>convertible debentures | 7,594,547           | 1,093,549            | -                  | -                 | -                                   | (82,428)  | -   | -                    | 1,011,121           |
| Shares issued on acquisition                             | 950,000             | 294,500              | -                  | -                 | -                                   | -   | -   | -                    | 294,500             |
| Rights issue   | 7,281               | 3,276                | -                  | -                 | -                                   | -   | -   | -                    | 3,276               |
| Share-based compensation                                 | -                   | -                    | -                  | 266,647           | -                                   | -   | -   | -                    | 266,647             |
| Shares to be issued in settlement<br>of accrued interest | -                   | -                    | -                  | -                 | 241,090                             | -   | -   | -                    | 241,090             |
| Exercise of stock options                                | 355,560             | 67,954               | -                  | (58,154)          | -                                   | -   | -   | -                    | 9,800               |
| Shares issued on reverse takeover                        | 1,363,636           | 504,273              | 18,735             | 188,079           | -                                   | -   | -   | -                    | 711,087             |
| Foreign currency translation                             | -                   | -                    | -                  | -                 | -                                   | -   | (311,105)                                       | -                    | (311,105)           |
| Net loss for the period                                  | -                   | -                    | -                  | -                 | -                                   | -   | -   | (3,965,732)          | (3,965,732)         |
| <b>Balance, June 30, 2019</b>                            | <b>78,778,178</b>   | <b>\$ 11,427,690</b> | <b>\$3,577,233</b> | <b>\$ 698,195</b> | <b>\$ 234,948</b>                   | <b>\$ -</b>   | <b>\$ 146,885</b>                               | <b>\$(9,513,491)</b> | <b>\$ 6,571,460</b> |

**CB2 INSIGHTS INC.****Condensed Interim Consolidated Statement of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)  
(Unaudited)**

|  | Number of<br>shares | Share<br>Capital     | Warrant<br>Reserve  | Option<br>Reserve   | Shares and<br>Units to be<br>Issued | Accumulated<br>other<br>comprehensive<br>income | Deficit               | Total               |
|--|---------------------|----------------------|---------------------|---------------------|-------------------------------------|---|-----------------------|---------------------|
| <b>Balance, December 31, 2019</b>  | <b>82,836,742</b>   | <b>\$ 12,224,770</b> | <b>\$ 3,356,534</b> | <b>\$ 1,552,361</b> | <b>\$ 334,903</b>                   | <b>\$ 440,976</b>                               | <b>\$(16,522,211)</b> | <b>\$ 1,387,333</b> |
| Share-based compensation   | 1,562,210           | 149,946              | -                   | 347,495             | -                                   | -   | -                     | 497,441             |
| Shares issued for services   | 1,074,091           | 107,595              | -                   | -                   | -                                   | -   | -                     | 107,595             |
| Share issuance costs - cash  | -                   | (6,250)              | -                   | -                   | -                                   | -   | -                     | (6,250)             |
| Shares issued and to be issued in<br>settlement of accrued interest<br>(notes 10 and 13 (b)) | 2,439,312           | 229,722              | -                   | -                   | (21,301)                            | -   | -                     | 208,421             |
| Shares issued in settlement of<br>contingent consideration                                   | 4,389,556           | 553,948              | -                   | -                   | -                                   | -   | -                     | 553,948             |
| Shares issued and to be issued against<br>exercise of warrants                               | 4,589,603           | 1,802,485            | (1,389,421)         | -                   | (218,447)                           | -   | -                     | 194,617             |
| Shares issued against<br>directors' fees   | 675,000             | 94,500               | -                   | -                   | -                                   | -   | -                     | 94,500              |
| Warrants and options expired   | -                   | 1,129,894            | (1,129,894)         | (12,519)            | -                                   | -   | 12,519                | -                   |
| Warrants issued for amendment of<br>promissory note  | -                   | -                    | 216,145             | -                   | -                                   | -   | -                     | 216,145             |
| Foreign currency translation   | -                   | -                    | -                   | -                   | -                                   | (213,367)                                       | -                     | (213,367)           |
| Net loss for the period  | -                   | -                    | -                   | -                   | -                                   | -   | (1,644,922)           | (1,644,922)         |
| <b>Balance, June 30, 2020</b>  | <b>97,566,514</b>   | <b>\$ 16,286,610</b> | <b>\$ 1,053,364</b> | <b>\$ 1,887,337</b> | <b>\$ 95,155</b>                    | <b>\$ 227,609</b>                               | <b>\$(18,154,614)</b> | <b>\$ 1,395,461</b> |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

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# **CB2 INSIGHTS INC.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**June 30, 2020**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Nature of operations and going concern**

#### **Nature of operations**

CB2 Insights Inc. (formerly 10557404 Canada Corp.) (the "Company" or "CB2") was incorporated on December 27, 2017 under the Canada Business Corporations Act. The Company completed a reverse takeover ("RTO") on February 27, 2019 (the "Closing Date") with MVC Technologies Inc. ("MVC") which was incorporated in the province of Ontario on November 3, 2014 under the Ontario Business Corporation Act ("OBCA"). CB2 operates a secure cloud-based healthcare technology platform that connects patients, physicians, and regulated suppliers for the purposes of assessment, qualification, registration, and access to medication. The head office is located at 5045 Orbitor Drive, Building 11, Suite 300, Mississauga, Ontario, Canada, L4W 4Y4.

#### **Going concern**

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of the balance sheet date, the Company has incurred an accumulated deficit of \$18,154,614 and has negative cash flow from operations. The Company has working capital deficit as of the balance sheet date of \$1,249,287. The Company has raised debt and equity financing through 2017, 2018 and 2019 in order to fund platform development and activities resulting in growth in its customer base. The Company expects that the investments it made in 2017, 2018 and 2019 will result in increased revenue and operating cash flow however, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs. These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

The unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these unaudited condensed interim consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the unaudited condensed interim consolidated statement of financial position. Such differences in amounts could be material.

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## **CB2 INSIGHTS INC.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**June 30, 2020**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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## **2. Basis of presentation**

### *Statement of compliance*

The notes presented in these unaudited condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, these interim consolidated financial statements are referred to as condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2019.

These unaudited condensed interim consolidated financial statements are expressed in Canadian dollars and follow the same accounting policies and methods of their application as set out in our consolidated financial statements for the year ended December 31, 2019. These unaudited condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS-IASB") and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

The Board of Directors approved these unaudited condensed interim consolidated financial statements on August 29, 2020.

## **3. Summary of significant accounting policies**

### **Comparative information**

Certain comparative figures have been reclassified to conform with the basis of presentation used in the current period.

### **New accounting standards adopted**

Amendments to IAS 1 - Presentation of financial statements ("IAS 1") and IAS 8 - Accounting policies, changes in accounting estimates and errors ("IAS 8")

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The Company adopted the amendments to IAS 1 effective January 1, 2020, which did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.



## CB2 INSIGHTS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

#### 4. Trade and other receivables

|                                  | June 30,<br>2020 | December 31,<br>2019 |
|----------------------------------|------------------|----------------------|
| Trade receivables                | \$ 10,475        | \$ 71,569            |
| Harmonized sales tax recoverable | 154,245          | 136,592              |
| Security deposits                | 79,365           | 101,192              |
|                                  | \$ 244,085       | \$ 309,353           |

#### 5. Furniture and equipment

|                            | Furniture  | Vehicles  | Computer<br>Hardware | Leaseholds | Equipment | Total      |
|----------------------------|------------|-----------|----------------------|------------|-----------|------------|
| <b>Cost</b>                |            |           |                      |            |           |            |
| Balance, December 31, 2019 | \$ 115,887 | \$ 22,413 | \$ 112,997           | \$ 66,372  | \$ 47,549 | \$ 365,218 |
| Net exchange differences   | 3,735      | 1,105     | 5,568                | 3,267      | -         | 13,675     |
| Balance, June 30, 2020     | \$ 119,622 | \$ 23,518 | \$ 118,565           | \$ 69,639  | \$ 47,549 | \$ 378,893 |
| <b>Amortization</b>        |            |           |                      |            |           |            |
| Balance, December 31, 2019 | \$ 54,740  | \$ 13,724 | \$ 47,325            | \$ 36,269  | \$ 31,132 | \$ 183,190 |
| Amortization               | 19,958     | 3,926     | 19,794               | 11,626     | 7,924     | 63,228     |
| Net exchange differences   | 1,456      | 669       | 2,298                | 1,765      | -         | 6,188      |
| Balance, June 30, 2020     | \$ 76,154  | \$ 18,319 | \$ 69,417            | \$ 49,660  | \$ 39,056 | \$ 252,606 |
| <b>Net book value</b>      |            |           |                      |            |           |            |
| Balance, December 31, 2019 | \$ 61,147  | \$ 8,689  | \$ 65,672            | \$ 30,103  | \$ 16,417 | \$ 182,028 |
| Balance, June 30, 2020     | \$ 43,468  | \$ 5,199  | \$ 49,148            | \$ 19,979  | \$ 8,493  | \$ 126,287 |

#### 6. Right-of-use assets

|                            | June 30,<br>2020 |
|----------------------------|------------------|
| <b>Premises leases</b>     |                  |
| Beginning balance          | \$ 1,532,128     |
| Additions                  | 120,439          |
| Depreciation               | (452,264)        |
| Impact of foreign exchange | 74,772           |
| Ending balance             | \$ 1,275,075     |

## CB2 INSIGHTS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

#### 7. Computer software and technology

| <b>Cost</b>                   |                     |
|-------------------------------|---------------------|
| Balance, December 31, 2019    | \$ 2,958,091        |
| Additions                     | 255,284             |
| Net exchange differences      | 861                 |
| <b>Balance, June 30, 2020</b> | <b>\$ 3,214,236</b> |

| <b>Amortization</b>           |                     |
|-------------------------------|---------------------|
| Balance, December 31, 2019    | \$ 1,645,921        |
| Amortization                  | 463,590             |
| Net exchange differences      | 496                 |
| <b>Balance, June 30, 2020</b> | <b>\$ 2,110,007</b> |

| <b>Net book value</b>         |                     |
|-------------------------------|---------------------|
| Balance, December 31, 2019    | \$ 1,312,170        |
| <b>Balance, June 30, 2020</b> | <b>\$ 1,104,229</b> |

#### 8. Goodwill and other intangible assets

|                               | Goodwill            | Customer relationships | Brand               | Non- compete    | Total other intangibles |
|-------------------------------|---------------------|------------------------|---------------------|-----------------|-------------------------|
| <b>Cost</b>                   |                     |                        |                     |                 |                         |
| Balance, December 31, 2019    | \$ 1,634,611        | \$ 2,524,578           | \$ 2,597,600        | \$ 8,508        | \$ 5,130,686            |
| Net exchange differences      | 80,548              | 124,401                | 128,000             | 420             | 252,821                 |
| <b>Balance, June 30, 2020</b> | <b>\$ 1,715,159</b> | <b>\$ 2,648,979</b>    | <b>\$ 2,725,600</b> | <b>\$ 8,928</b> | <b>\$ 5,383,507</b>     |
| <b>Amortization</b>           |                     |                        |                     |                 |                         |
| Balance, December 31, 2019    | \$ -                | \$ 809,568             | \$ -                | \$ -            | \$ 809,568              |
| Amortization                  | -                   | 261,709                | -                   | -               | 261,709                 |
| Net exchange differences      | -                   | 39,451                 | -                   | -               | 39,451                  |
| <b>Balance, June 30, 2020</b> | <b>\$ -</b>         | <b>\$ 1,110,728</b>    | <b>\$ -</b>         | <b>\$ -</b>     | <b>\$ 1,110,728</b>     |
| <b>Net book value</b>         |                     |                        |                     |                 |                         |
| Balance, December 31, 2019    | \$ 1,634,611        | \$ 1,715,010           | \$ 2,597,600        | \$ 8,508        | \$ 4,321,118            |
| <b>Balance, June 30, 2020</b> | <b>\$ 1,715,159</b> | <b>\$ 1,538,251</b>    | <b>\$ 2,725,600</b> | <b>\$ 8,928</b> | <b>\$ 4,272,779</b>     |

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**CB2 INSIGHTS INC.****Notes to the Condensed Interim Consolidated Financial Statements**

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**9. Accounts payable and accrued liabilities**

|                     | June 30,<br>2020    | December 31,<br>2019 |
|---------------------|---------------------|----------------------|
| Accounts payable    | \$ 1,345,852        | \$ 1,158,628         |
| Accrued liabilities | 493,494             | 690,487              |
|                     | <b>\$ 1,839,346</b> | <b>\$ 1,849,115</b>  |

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The following is an aged analysis of the accounts payable and accrued liabilities:

|                       | June 30,<br>2020    | December 31,<br>2019 |
|-----------------------|---------------------|----------------------|
| Less than 1 month     | \$ 70,789           | \$ 195,704           |
| 1 to 3 months         | 483,618             | 386,049              |
| Greater than 3 months | 791,445             | 576,875              |
|                       | <b>\$ 1,345,852</b> | <b>\$ 1,158,628</b>  |

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Accounts payable include an amount of \$30,368 (December 31, 2019: \$12,018) payable to a related party for Professional services provided to the Company.

**10. Promissory note**

On December 19, 2017 (the "Closing Date"), the Company entered into an acquisition transaction with Canna Care Docs as detailed in Note 5 of the year end consolidated financial statements as of December 31, 2018. As part of the purchase consideration, the Company issued a promissory note in the amount of US\$2,500,000 ("Canna Care Note"). The note was discounted to its present value and initially recorded at \$3,017,057 (US\$2,336,449) on the closing date using an effective interest rate of 7%. Accretion expense amounting to \$208,324 (2017 - \$nil) was recorded on this promissory note during the year ended December 31, 2018.

The note was repayable on, and interest free up to, December 19, 2018 after which date interest of 15% per annum was charged. The note was secured by the purchased assets of Canna Care Docs.

On December 19, 2018, the Company repaid the full amount of the Canna Care Note with the proceeds from the issuance of a promissory note to Merida Capital Partners ("Merida") ("Merida Note").

On December 19, 2018, the Company issued the Merida Note and Merida advanced to the Company funds amounting to US\$2,400,000. The Merida note bore interest at 12% per annum and was due 18 months from the issuance date. The Merida Note contained an option to convert the Note to a convertible debenture that would permit the conversion of the underlying liability to common shares ("Merida Option"). The Merida Option expired on January 20, 2019 and the interest rate also increased to 15% per annum on that date. The Merida Note was measured at fair value on issuance and the Company elected to carry the note at FVTPL. The Company recorded a loss in fair value of \$396,254 for the year ended December 31, 2019 on the Merida Note.

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## CB2 INSIGHTS INC.

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#### 10. Promissory note (continued)

On June 24, 2019, the Company entered into an Amended and Restated Promissory Note with Merida Capital Partners II LP ("Merida"), whereby the Company promised to pay Merida US\$3.0 million (the "Merida Note II"). The Merida Note II bore interest at 12.0% per annum and was due on December 24, 2020. Interest was paid through the issuance of common shares of the Company at a price per share equal to the 30-day volume weighted average price of the Company's common shares, less a discount of 18.0%. The Merida Note II was measured at fair value on issuance date and the Company elected to carry the note at FVTPL. In measuring the fair value of the Merida Note II, the Company used the Monte Carlo valuation technique.

As per the agreement of Merida Note II, during the year ended December 31, 2019, the Company issued 1,219,520 common shares of the Company in settlement of \$241,090 accrued interest on the Merida Note and the Company incurred issuance cost amounting to \$6,142 for these shares.

The amendment of the Merida Note was accounted for as an extinguishment of the Merida Note and the issuance of the Merida Note II resulting in a gain of \$166,311 recorded in the income statement during the year ended December 31, 2019.

The interest on Merida Note II was payable quarterly through the issuance of common shares of the Company at a price per share equal to the 30-day volume weighted average price of the Company's common shares traded on the Canadian Securities Exchange ending on the applicable quarterly interest payment date, less a discount of 18%. During the year ended December 31, 2019, interest amounting to \$243,948 was recorded on the Merida Note II and 1,077,978 common shares were issued during the year while 1,218,756 common shares were issued subsequently for the interest amount. The Company also recorded a loss in fair value of \$191,114 for the year on the Merida Note II. For the six months ended June 30, 2020, interest expense amounting to \$113,247 was recorded on the Merida Note II and 1,213,443 common shares were issued for the interest amount. The Company also recorded a loss in fair value of \$311,738 on the Merida Note II during the six months ended June 30, 2020.

On June 17, 2020, the Company entered into an amended and restated promissory note (the "Merida Note III"), which amends the terms of the promissory note originally issued by the Company on December 20, 2018 and amended on June 24, 2019. Under the terms of the Amended Note, the principal amount of USD \$3 million will become payable on December 24, 2022 (previously due on December 24, 2020), carry an annual interest rate of 8% (previously 12%), payable, at the Company's option, either in cash or in common shares of the Company. If interest is paid in common shares, the number of shares will be calculated at a price per share equal to a 10% discount to the 30-day volume weighted average trading price of the Company's common shares on the CSE. Additionally, if at any time prior to the maturity date, the closing price of the Company's common shares on the CSE is equal to or greater than CAD \$0.30 for 20 consecutive trading days, then the outstanding amounts owed under the Amended Note will be converted into that number of common shares obtained by dividing:

(A) the Canadian dollar equivalent of the sum of:

- the principal amount of USD \$3 million and
- the unpaid accrued interest owing up to the conversion date, by

(B) the volume-weighted average closing price of the Company's common shares on the CSE during such 20 consecutive trading day period, less a discount of 10%.

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#### 10. Promissory note (continued)

The Merida Note III is effective as of April 1, 2020. As consideration for the amendments, the Company issued warrants entitling the holder to purchase up to 3 million common shares at an exercise price of CAD \$0.14 per common share during the period commencing on the first anniversary of date of issuance of the warrants and ending three years from such issuance date. The fair value of the warrants was estimated using the Black-Scholes option pricing model at \$0.14 per warrant, based on the following assumptions: underlying share price of \$0.115 per share, expected annualized volatility of 110%; risk-free interest rate of 0.28%; expected dividend yield of 0%; and expected life of 3 years.

The amendment of the Merida Note II has been accounted for as an extinguishment of the Merida Note II and the issuance of the Merida Note III resulting in a gain of \$294,753 recorded in the income statement during the six months ended June 30, 2020.

The Merida Note III was measured at fair value on issuance date and the Company has elected to carry the note at FVTPL. In measuring the fair value of the Note, the Company has used the Monte Carlo valuation technique.

As per the agreement of Merida Note III, during the three and six months ended June 30, 2020, interest expense amounting to \$94,606 was recorded on the Merida Note III and 1,105,843 common shares will be issued for the interest amount. The Company also recorded a loss in fair value of \$940,032 on the Merida Note III during the three and six months ended June 30, 2020.

#### 11. Loan payable

The Company obtained a loan of 916,958 (US\$652,500) from Citizens Bank N.A under the Paycheck Protection Program (PPP) offered by US Small Business Administration as part of COVID-19 relief measures. The loan carries mark-up at 1% and the repayments would start from February 27, 2021 in equal monthly installments over eighteen months. The PPP program allows for the loan to be forgiven if the disbursed amount is spent as per the approved guidelines. The Company is in the process of applying for loan forgiveness, and if approved, the loan amount would be reclassified as a grant in statements of loss and comprehensive loss.

#### 12. Lease liabilities

|   | June 30,<br>2020    |
|---|---------------------|
| <b>Beginning balance</b>                                | <b>\$ 1,653,011</b> |
| Additions   | 120,439             |
| Interest expense  | 92,998              |
| Lease payments  | (532,540)           |
| Impact of foreign exchange                              | 80,529              |
| <b>Ending balance</b>                                   | <b>\$ 1,414,437</b> |
| <b>Allocated as:</b>                                    |                     |
| Current (no later than 1 year)                          | \$ 736,656          |
| Long-term (later than 1 year but no later than 5 years) | 677,781             |
|   | <b>\$ 1,414,437</b> |

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**CB2 INSIGHTS INC.****Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2020****(Expressed in Canadian Dollars)****(Unaudited)**

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**13. Share capital**

## a) Authorized share capital

Unlimited number of voting common shares without par value

## b) Common shares issued

|  | Number of<br>common<br>shares | Amount               |
|--|-------------------------------|----------------------|
| <b>Balance, January 1, 2019</b>                              | <b>63,373,816</b>             | <b>\$ 7,794,137</b>  |
| <i>Private placements (i)\(ii)</i>                           | 5,133,338                     | 1,711,384            |
| Share issuance costs - warrants                              | -                             | (25,799)             |
| Share issuance costs (iii)                                   | -                             | (15,584)             |
| Shares issued in settlement of convertible debt (vi)         | 7,594,547                     | 1,093,549            |
| Shares issued on acquisition (viii)                          | 950,000                       | 294,500              |
| Rights issue (vii)   | 7,281                         | 3,276                |
| Exercise of stock options (iv)(v)                            | 355,560                       | 67,954               |
| Shares issued on acquisition of Reverse Takeover (ix)        | 1,363,636                     | 504,273              |
| <b>Balance, June 30, 2019</b>                                | <b>78,778,178</b>             | <b>\$ 11,427,690</b> |
| <hr/>  |                               |                      |
| <b>Balance, January 1, 2020</b>                              | <b>82,836,742</b>             | <b>\$ 12,224,770</b> |
| Share-based compensation (i)                                 | 1,562,210                     | 149,946              |
| Shares issued for services (ii)                              | 1,074,091                     | 107,595              |
| Share issuance costs   | -                             | (6,250)              |
| Shares issued in settlement of accrued interest (iii)        | 2,439,312                     | 229,722              |
| Shares issued in settlement of contingent consideration (iv) | 4,389,556                     | 553,948              |
| Shares issued against exercise of warrants (v)               | 4,589,603                     | 1,802,485            |
| Shares issued against directors' fees (vi)                   | 675,000                       | 94,500               |
| Warrants expired (vii)                                       | -                             | 1,129,894            |
| <b>Balance, June 30, 2020</b>                                | <b>97,566,514</b>             | <b>\$ 16,286,610</b> |

**2019***Private placements*

(i) On January 17, 2019, the Company completed a private placement financing with the issuance of an aggregate of 374,998 Units at a price of \$0.50 per Unit for gross proceeds of \$187,499. Each Unit consists of 1 common share and one half common share purchase warrant. An aggregate of 187,499 warrants were issued with each whole warrant exercisable to purchase one common share of the Company at a price of \$0.80 for a period of three (3) years from issuance. The fair value of the 187,499 warrants contained in the Units issued on this date was estimated using the Black-Scholes option pricing model at \$0.26 per warrant, based on the following assumptions: underlying share price of \$0.37 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.82%; expected dividend yield of 0%; and expected life of 3 years.

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## CB2 INSIGHTS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 13. Share capital (continued)

b) Common shares issued (continued)

2019 (continued)

*Private placements (continued)*

(ii) During January and February 2019, the Company closed four tranches of private placement financing of subscription receipts with the issuance of 4,758,340 Subscription Receipt Units for gross proceeds of \$2,379,170. Each Subscription Receipt Unit converts automatically into one common share and one half common share purchase warrant. An aggregate of 4,758,340 common shares and 2,379,170 warrants are issuable on conversion of the Subscription Receipt Units, with each whole warrant being exercisable to purchase one common share of the Company at a price of \$0.80 for a period of three (3) years from issuance. The fair value of the 2,379,170 warrants contained in the Subscription Receipt Units issued on this date was estimated using the Black-Scholes option pricing model at \$0.26 per warrant, based on the following assumptions: underlying share price of \$0.37 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.77%; expected dividend yield of 0%; and expected life of 3 years. The Company also issued 26,040 broker warrants in combination with the closing of the Subscription Receipt Units. Each broker warrant entitling the holder to purchase one Unit at \$0.50 for a period of three (3) years, with each whole warrant being exercisable to purchase one common share of the Company at a price of \$0.80 for a period of three (3) years from issuance. The fair value of the 26,040 broker warrants contained in the Units issued on this date was estimated using the Black-Scholes option pricing model at \$0.25 per warrant, based on the following assumptions: underlying share price of \$0.36 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.77%; expected dividend yield of 0%; and expected life of 3 years.

(iii) In relation to 2019 private placements, the Company paid cash issuance costs of \$23,730, the total of which was allocated to shares and warrants on a pro-rata basis based on their relative fair values.

(iv) On February 1, 2019, a consultant exercised 300,000 options at a price of \$0.016 per share.

(v) On March 5, 2019 a consultant exercised 55,560 options at a price of \$0.09 per share. The fair value of the options exercised amounting to \$58,154 was also reclassified from the Options reserve to Share capital.

(vi) On March 5, 2019, \$959,000 principal amount debentures, plus accrued interest of \$84,632, were converted into 7,594,547 shares of CB2. The total amount of shares includes a 10% increase in the number of shares to be issued upon conversion as the Company was unable to complete the going public transaction by the Conversion Date as stipulated in the debenture agreement.

(vii) During May 2019, shareholders exercised 7,281 rights shares at a price of \$0.45 per share.

(viii) On April 4, 2019 and April 9, 2019 the company completed the acquisitions of Rae of Sunshine Health Services ("ROSH") LLC and MedEval Clinic LLC respectively and issued common shares as part of the purchase consideration.

(ix) The company issued common shares as per the Share Exchange Agreement executed between MVC and CB2 for the Reverse Takeover of CB2 by MVC.

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## **CB2 INSIGHTS INC.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

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**(Unaudited)**

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#### **13. Share capital (continued)**

##### b) Common shares issued (continued)

###### **2020**

(i) On January 26, 2020, 1,248,460 common shares valued at \$0.10 were issued to CEO and President in lieu of accrued compensation.

On April 21, 2020, 313,750 common shares valued at \$0.08 were issued to CEO and President in lieu of accrued compensation.

(ii) On January 26, 2020, 300,000 common shares valued at \$0.14 were issued to a consultant for services rendered and 263,667 common shares were issued to settle accounts payable.

On April 21, 2020, 422,535 common shares of the Company valued at \$0.071 per share, being the 15- day VWAP price on the date of issuance, were issued to a consultant for services rendered and 87,889 common shares valued at \$0.09 were issued to settle accounts payable.

(iii) On January 28, 2020, the Company issued 1,218,756 common shares in settlement of \$115,097 accrued interest on the Merida Note II for the quarter ended December 31, 2019.

On April 21, 2020, the Company issued 7,113 common shares in the Company to related parties in settlement of \$569 accrued interest on loan provided to the Company.

On April 21, 2020, the Company issued 1,213,443 common shares in settlement of \$113,247 accrued interest on Merida Note II for the quarter ended March 31, 2020.

(iv) On January 6, 2020, the Company signed an amended agreement with the previous owners of NJAM, whereby all contingent earn-out payments were removed in exchange for issuance of 2,500,000 common shares in the Company valued at \$0.14 per share amounting to \$350,000.

On April 21, 2020, the Company issued 882,978 common shares in the Company valued at US\$0.085 to the previous owners of ROSH on achievement of the third milestone amounting to \$98,370.

On June 26, 2020, the Company issued 1,006,578 common shares in the Company valued at \$0.105 to the previous owners of ROSH on achievement of the fourth milestone amounting to \$105,578.

(v) During the six months ended June 30, 2020, shareholders exercised 4,589,603 warrants valued at \$0.09 per common share. The Company also incurred cash issuance costs of \$6,250. The fair value of the warrants exercised amounting to \$1,389,421 was also reclassified from the Warrant reserve to Share capital.

(vi) On January 26, 2020, 675,000 common shares in the Company valued at \$0.14 per share were issued to Directors as compensation for their services.

(vii) The fair value of the warrants expired during the six months ended June 30, 2020 were reclassified from the Warrant reserve to Share capital.



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**CB2 INSIGHTS INC.****Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2020****(Expressed in Canadian Dollars)****(Unaudited)**

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**13. Share capital (continued)**

b) Common shares issued (continued)

**Warrants**

A summary of the warrant activity for the periods ended June 30, 2020 and 2019 is as follows:

|                                   | <b>Number of<br/>Warrants</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price (\$)</b> |
|-----------------------------------|-------------------------------|---|
| <b>Balance, December 31, 2018</b> | <b>13,547,180</b>             | <b>0.42</b>   |
| Granted upon RTO of CB2           | 151,515                       | 1.65  |
| Granted                           | 2,592,710                     | 0.80  |
| <b>Balance, June 30, 2019</b>     | <b>16,291,405</b>             | <b>0.49</b>   |
| <b>Balance, January 1, 2020</b>   | <b>15,530,719</b>             | <b>0.56</b>   |
| Exercised                         | (4,589,603)                   | (0.64)  |
| Expired                           | (5,936,544)                   | (0.40)  |
| Granted (note 10)                 | 3,000,000                     | 0.14  |
| <b>Balance, June 30, 2020</b>     | <b>8,004,572</b>              | <b>0.34</b>   |

At June 30, 2020, a summary of warrants outstanding and exercisable is as follows:

**Outstanding warrants**

| <b>Range of exercise prices</b> | <b>Number<br/>Outstanding</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Life (years)</b> |
|---------------------------------|-------------------------------|--|--|
| < \$0.20                        | 1,679,700                     | \$ 0.20  | 0.08   |
| \$0.41 - \$0.50                 | 2,421,169                     | 0.48   | 0.16   |
| \$0.8                           | 853,230                       | 0.80   | 1.62   |
| \$1.65                          | 50,473                        | 1.65   | 0.17   |
| \$0.14                          | 3,000,000                     | 0.14   | 2.75   |
|                                 | <b>8,004,572</b>              | <b>\$ 0.34</b>                                     | <b>1.27</b>  |

## CB2 INSIGHTS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 13. Share capital (continued)

b) Common shares issued (continued)

##### Options

On January 23, 2019, the Company granted an aggregate of 485,000 options to employees, directors and consultants. These options are exercisable over a period of 1-5 years from the date of grant with exercise prices ranging from \$0.44 - \$0.50, vesting over 4 years for employees and immediately for directors and consultants.

On April 17, 2020, the Company granted an aggregate of 2,060,777 options to employees and consultants. These options are exercisable over a period of 5 years from the date of grant with exercise price of \$0.081 vesting over 3 years.

A summary of the option activity for the periods ended June 30, 2020 and 2019 is as follows:

|                                   | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price (\$) |
|-----------------------------------|----------------------|---|
| <b>Balance, December 31, 2018</b> | <b>5,925,868</b>     | <b>0.36</b>                                   |
| Granted upon RTO of CB2           | 666,060              | 0.39  |
| Granted                           | 485,000              | 0.48  |
| Exercised                         | (355,560)            | 0.03  |
| <b>Balance, June 30, 2019</b>     | <b>6,721,368</b>     | <b>0.38</b>                                   |
| <b>Balance, January 1, 2020</b>   | <b>6,721,368</b>     | <b>0.38</b>                                   |
| Expired                           | (113,104)            | 0.20  |
| Granted                           | 2,060,777            | 0.08  |
| <b>Balance, June 30, 2020</b>     | <b>8,669,041</b>     | <b>0.31</b>                                   |

At June 30, 2020, a summary of stock options outstanding and exercisable is as follows:

| Range of exercise<br>prices | Number<br>outstanding | Weighted<br>average<br>Exercise Price | Weighted<br>average<br>remaining<br>life (years) | Number<br>exercisable | Weighted<br>average<br>exercise<br>price |
|-----------------------------|-----------------------|---------------------------------------|--|-----------------------|--|
| \$0.15                      | 1,033,332             | \$0.15                                | 2.77   | 258,333               | \$0.15                                   |
| \$0.17                      | 363,030               | \$0.17                                | 1.24   | 363,030               | \$0.17                                   |
| \$0.41 - \$0.44             | 4,423,872             | \$0.43                                | 6.03   | 1,739,198             | \$0.41                                   |
| \$0.44 - \$0.50             | 485,000               | \$0.48                                | 1.67   | 293,750               | \$0.50                                   |
| \$0.66                      | 303,030               | \$0.66                                | 1.24   | 303,030               | \$0.66                                   |
| \$0.08                      | 2,060,777             | \$0.08                                | 4.80   | 515,194               | \$0.08                                   |
|                             | 8,669,041             | \$0.31                                | 4.74   | 3,472,535             | \$0.35                                   |

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**CB2 INSIGHTS INC.****Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2020****(Expressed in Canadian Dollars)****(Unaudited)**

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**13. Share capital (continued)**

b) Common shares issued (continued)

**Options (continued)**

During the three and six months ended June 30, 2020, \$22,384 and \$336,454, respectively (three and six months ended June 30, 2019 - \$82,744 and \$266,647, respectively) has been recognized as an expense for the options vested during the period.

**14. Fair value measurement**

The Company classified and subsequently measured cash, trade and other receivables, accounts payable and accrued liabilities, payable to related parties and loan payable at amortized cost and the fair value of these financial instruments approximates carrying value due to their short-term nature and/or carrying market rates of interest. Promissory note payable and purchase consideration payable are classified at fair value through profit or loss (FVTPL).

There were no transfers to or from any level of the fair value hierarchy during the six months ended June 30, 2020.

The following tables illustrate the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at June 30, 2020 and December 31, 2019:

**As at June 30, 2020 - (Liabilities, at fair value)**

|                         | Quoted Prices in<br>Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Aggregate<br>Fair Value |
|-------------------------|--|---|--|-------------------------|
| Promissory note payable | \$ -   | \$ -  | \$ 4,536,484                                       | \$ 4,536,484            |

**As at December 31, 2019 - (Liabilities, at fair value)**

|                                | Quoted Prices in<br>Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Aggregate<br>Fair Value |
|--------------------------------|--|---|--|-------------------------|
| Promissory note payable        | \$ -   | \$ -  | \$ 4,003,465                                       | \$ 4,003,465            |
| Purchase consideration payable | -  | -   | 566,318  | 566,318                 |

**Level 3 hierarchy:**

The following table presents the changes in fair value measurements of financial instruments classified as Level 3. These financial instruments are measured at fair value utilizing non-observable market inputs. The net change in unrealized gains or losses is recognized in the statements of loss.

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**14. Fair value measurement (continued)****Level 3 hierarchy (continued):**

| <b>Merida<br/>Note III</b> | <b>Opening<br/>balance</b> | <b>Addition</b> | <b>Interest repaid<br/>during<br/>the period</b> | <b>Repaid<br/>during<br/>the period</b> | <b>Warrants issued<br/>for amendment<br/>of promissory note</b> | <b>Fair<br/>valuation<br/>impact</b> | <b>Foreign<br/>exchange<br/>impact</b> | <b>Closing<br/>balance</b> |
|----------------------------|----------------------------|-----------------|--|---|---|--------------------------------------|--|----------------------------|
| June 30, 2020              | \$ -                       | \$3,907,203     | \$ (94,606)                                      | \$ -                                    | \$ (216,145)  | \$ 940,032                           | \$ -                                   | \$4,536,484                |

| <b>Merida<br/>Note II</b> | <b>Opening<br/>balance</b> | <b>Addition</b> | <b>Interest repaid<br/>during<br/>the period</b> | <b>Repaid<br/>during<br/>the period</b> | <b>Fair<br/>valuation<br/>impact</b> | <b>Foreign<br/>exchange<br/>impact</b> | <b>Closing<br/>balance</b> |
|---------------------------|----------------------------|-----------------|--|---|--------------------------------------|--|----------------------------|
| June 30, 2020             | \$4,003,465                | \$ -            | \$ (113,247)                                     | \$4,201,956)                            | \$ 311,738                           | \$ -                                   | \$ -                       |
| December 31, 2019         | \$ -                       | \$4,056,298     | \$ (243,947)                                     | \$ -                                    | \$ 191,114                           | \$ -                                   | \$4,003,465                |

| <b>NJAM closing<br/>liability</b> | <b>Opening<br/>balance</b> | <b>Addition</b> | <b>Repaid<br/>during<br/>the year</b> | <b>Fair<br/>valuation<br/>impact</b> | <b>Foreign<br/>exchange<br/>impact</b> | <b>Closing<br/>balance</b> |
|-----------------------------------|----------------------------|-----------------|---------------------------------------|--------------------------------------|--|----------------------------|
| June 30, 2020                     | \$ 344,378                 | \$ -            | \$ (350,000)                          | \$ 109                               | \$ 5,513                               | \$ -                       |
| December 31, 2019                 | \$ -                       | \$ 543,278      | \$ (122,148)                          | \$ (96,098)                          | \$ 19,346                              | \$ 344,378                 |

| <b>ROSH closing<br/>liability</b> | <b>Opening<br/>balance</b> | <b>Addition</b> | <b>Repaid<br/>during<br/>the year</b> | <b>Fair<br/>valuation<br/>impact</b> | <b>Foreign<br/>exchange<br/>impact</b> | <b>Closing<br/>balance</b> |
|-----------------------------------|----------------------------|-----------------|---------------------------------------|--------------------------------------|--|----------------------------|
| June 30, 2020                     | \$ 221,940                 | \$ -            | \$ (203,948)                          | \$ (28,083)                          | \$ 10,091                              | \$ -                       |
| December 31, 2019                 | \$ -                       | \$ 472,158      | \$ (265,070)                          | \$ (61,932)                          | \$ 76,784                              | \$ 221,940                 |

## CB2 INSIGHTS INC.

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#### 14. Fair value measurement (continued)

##### Level 3 hierarchy (continued):

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

##### June 30, 2020

| Description             | Valuation technique    | Fair value   | Unobservable inputs |
|-------------------------|------------------------|--------------|---------------------|
| Promissory note payable | Monte Carlo simulation | \$ 4,536,484 | (i)                 |
| Purchase consideration  |                        |              |                     |

##### December 31, 2019

| Description             | Valuation technique    | Fair value   | Unobservable inputs |
|-------------------------|------------------------|--------------|---------------------|
| Promissory note payable | Monte Carlo simulation | \$ 4,033,465 | (i)                 |
| Purchase consideration  |                        |              |                     |
| payables - NJAM         | Monte Carlo simulation | 344,378      | (i)                 |
| Purchase consideration  |                        |              |                     |
| payables - ROSH         | Monte Carlo simulation | 221,940      | (i)                 |

(i) Please refer to the assumptions used in the tables of sensitivity analysis below.

As the valuation of financial instruments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments.

Key assumptions and sensitivities of Level 3 financial instruments are shown as follows:

A 5% change in the following assumptions will have the following impact on the fair value of promissory note as at June 30, 2020:

|                        | Original     | +5%          | -5%          |
|------------------------|--------------|--------------|--------------|
| Share price volatility | \$ 4,536,484 | \$ 4,560,109 | \$ 4,514,913 |
| Discount rate          | 4,536,484    | 4,495,815    | 4,577,918    |

A 5% change in the following assumptions will have the following impact on the fair value of promissory note as at December 31, 2019:

|                        | Original     | +5%          | -5%          |
|------------------------|--------------|--------------|--------------|
| Share price volatility | \$ 4,003,465 | \$ 4,002,813 | \$ 4,004,340 |
| Discount rate          | 4,003,465    | 3,984,029    | 4,023,125    |

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## CB2 INSIGHTS INC.

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#### 14. Fair value measurement (continued)

##### Level 3 hierarchy (continued):

A 5% change in the following assumptions will have the following impact on the fair value of consideration payable for NJAM as at December 31, 2019:

|                             | Original   | +5%        | -5%        |
|-----------------------------|------------|------------|------------|
| Asset volatility            | \$ 344,378 | \$ 337,462 | \$ 337,522 |
| Revenue forecast            | 344,378    | 344,714    | 330,986    |
| Discount rate (cash coupon) | 344,378    | 337,983    | 337,805    |

A 5% change in the following assumptions will have the following impact on the fair value of consideration payable for ROSH as at December 31, 2019:

|                        | Original   | +5%        | -5%        |
|------------------------|------------|------------|------------|
| Share price volatility | \$ 221,940 | \$ 217,585 | \$ 226,296 |
| Asset volatility       | 221,940    | 230,478    | 213,403    |
| Revenue forecast       | 221,940    | 226,499    | 217,382    |
| Discount rate (shares) | 221,940    | 221,438    | 222,443    |

#### 15. Related party disclosures

##### Compensation of key management personnel

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 Chief Executive Officer ("CEO"), President, Chief Financial Officer ("CFO") and members of the Company's Board of Directors.

The amounts disclosed in the table below are the amounts recognized as an expense during the reporting period related to key management personnel.

|   | Three months ended<br>June 30, |            | Six months ended<br>June 30, |            |
|---|--------------------------------|------------|------------------------------|------------|
|   | 2020                           | 2019       | 2020                         | 2019       |
| Salary and short-term employee benefits | \$ 120,615                     | \$ 118,361 | \$ 224,000                   | \$ 221,100 |
| Share based compensation                | -                              | -          | 142,078                      | 67,553     |
| Professional services                   | 14,635                         | 10,620     | 31,089                       | 21,270     |
|   | \$ 135,250                     | \$ 128,981 | \$ 397,167                   | \$ 309,923 |

Payable to related parties \$20,071 (December 31, 2019 - \$24,840) comprise of short-term loan from shareholders carrying an interest rate of 8%.

## CB2 INSIGHTS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 16. Segmented information

The Company has two reportable segments related to its software and clinic businesses which also align with the two countries in which it operates, namely, United States and Canada. Corporate costs are included in the Canadian segment. The disclosure with regards to the Company's aforementioned segments and locations are listed below:

| <b>Three months ended June 30, 2020</b> | <b>USA<br/>(Clinic)</b> | <b>Canada<br/>(Software)</b> | <b>Total</b> |
|---|-------------------------|------------------------------|--------------|
| <b>Revenue</b>                          | \$ 3,632,829            | \$ 67,644                    | \$ 3,700,473 |
| Cost of sales                           | 1,088,015               | -                            | 1,088,015    |
| <b>Gross profit</b>                     | 2,544,814               | 67,644                       | 2,612,458    |
| Total operating expenses                | 1,691,824               | 833,847                      | 2,525,671    |
| <b>Income (loss) from operations</b>    | 852,990                 | (766,203)                    | 86,787       |
| Foreign exchange loss                   | -                       | 229,476                      | 229,476      |
| Gain on debt settlement                 | -                       | (294,753)                    | (294,753)    |
| Change in fair value                    | -                       | 768,939                      | 768,939      |
| Interest on lease liabilities           | 43,561                  | 1,305                        | 44,866       |
| <b>Net income (loss)</b>                | \$ 809,429              | \$ (1,471,170)               | \$ (661,741) |

| <b>Six months ended June 30, 2020</b> | <b>USA<br/>(Clinics)</b> | <b>Canada<br/>(Software)</b> | <b>Total</b>   |
|---------------------------------------|--------------------------|------------------------------|----------------|
| <b>Revenue</b>                        | \$ 6,523,716             | \$ 108,783                   | \$ 6,632,499   |
| Cost of sales                         | 2,118,346                | -                            | 2,118,346      |
| <b>Gross profit</b>                   | 4,405,370                | 108,783                      | 4,514,153      |
| Total operating expenses              | 3,585,658                | 1,986,833                    | 5,572,491      |
| <b>Income (loss) from operations</b>  | 819,712                  | (1,878,050)                  | (1,058,338)    |
| Foreign exchange gain                 | -                        | (435,457)                    | (435,457)      |
| Gain on debt settlement               | -                        | (294,753)                    | (294,753)      |
| Change in fair value                  | (27,974)                 | 1,251,770                    | 1,223,796      |
| Interest on lease liabilities         | 89,983                   | 3,015                        | 92,998         |
| <b>Net income (loss)</b>              | \$ 757,703               | \$ (2,402,625)               | \$ (1,644,922) |

**CB2 INSIGHTS INC.****Notes to the Condensed Interim Consolidated Financial Statements**

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**16. Segmented information (continued)**

| <b>As at June 30, 2020</b> | <b>USA<br/>(Clinic)</b> | <b>Canada<br/>(Software)</b> | <b>Total</b>  |
|----------------------------|-------------------------|------------------------------|---------------|
| <b>Non-current assets</b>  | \$ 7,742,601            | \$ 750,928                   | \$ 8,493,529  |
| <b>Total assets</b>        | \$ 8,626,052            | \$ 1,468,974                 | \$ 10,095,026 |
| <b>Total liabilities</b>   | \$ 3,099,330            | \$ 5,600,235                 | \$ 8,699,565  |

| <b>Three months ended June 30, 2019</b> | <b>USA<br/>(Clinic)</b> | <b>Canada<br/>(Software)</b> | <b>Total</b>   |
|---|-------------------------|------------------------------|----------------|
| <b>Revenue</b>                          | \$ 3,251,003            | \$ 6,018                     | \$ 3,257,021   |
| Cost of sales                           | 1,129,270               | -                            | 1,129,270      |
| <b>Gross profit</b>                     | 2,121,733               | 6,018                        | 2,127,751      |
| Total operating expenses                | 3,064,396               | 792,635                      | 3,857,031      |
| <b>Loss from operations</b>             | (942,663)               | (786,617)                    | (1,729,280)    |
| Foreign exchange loss                   | -                       | 2,057                        | 2,057          |
| Change in fair value                    | -                       | 198,127                      | 198,127        |
| Interest on lease liabilities           | 53,433                  | 2,753                        | 56,186         |
| Gain on debt settlement                 | -                       | (166,311)                    | (166,311)      |
| <b>Net loss before income taxes</b>     | (996,096)               | (823,243)                    | (1,819,339)    |
| Income taxes expense                    | 190                     | -                            | 190            |
| <b>Net loss</b>                         | \$ (996,286)            | \$ (823,243)                 | \$ (1,819,529) |

| <b>Six months ended June 30, 2019</b> | <b>USA<br/>(Clinic)</b> | <b>Canada<br/>(Software)</b> | <b>Total</b>   |
|---------------------------------------|-------------------------|------------------------------|----------------|
| <b>Revenue</b>                        | \$ 6,096,362            | \$ 10,470                    | \$ 6,106,832   |
| Cost of sales                         | 1,784,958               | -                            | 1,784,958      |
| <b>Gross profit</b>                   | 4,311,404               | 10,470                       | 4,321,874      |
| Total operating expenses              | 4,645,782               | 2,405,338                    | 7,051,120      |
| <b>Loss from operations</b>           | (334,378)               | (2,394,868)                  | (2,729,246)    |
| Foreign exchange loss                 | -                       | 4,104                        | 4,104          |
| Reverse takeover transaction cost     | -                       | 807,995                      | 807,995        |
| Change in fair value                  | -                       | 396,254                      | 396,254        |
| Gain on debt settlement               | -                       | (166,311)                    | (166,311)      |
| Accretion on convertible notes        | -                       | 28,632                       | 28,632         |
| Interest on lease liabilities         | 98,188                  | 5,829                        | 104,017        |
| <b>Net loss before income taxes</b>   | (432,566)               | (3,471,371)                  | (3,903,937)    |
| Income taxes expense                  | 61,795                  | -                            | 61,795         |
| <b>Net loss</b>                       | \$ (494,361)            | \$ (3,471,371)               | \$ (3,965,732) |

| <b>As at December 31, 2019</b> | <b>USA<br/>(Clinic)</b> | <b>Canada<br/>(Software)</b> | <b>Total</b> |
|--------------------------------|-------------------------|------------------------------|--------------|
| <b>Non-current assets</b>      | \$ 7,985,915            | \$ 996,140                   | \$ 8,982,055 |
| <b>Total assets</b>            | \$ 7,834,183            | \$ 1,649,899                 | \$ 9,484,082 |
| <b>Total liabilities</b>       | \$ 2,814,005            | \$ 5,282,744                 | \$ 8,096,749 |