GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

(Expressed in Canadian dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Greenstar Biosciences Corp.

Opinion

We have audited the consolidated financial statements of Greenstar Biosciences Corp. (the "Company") which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended August 31, 2019 and the period from incorporation on March 21, 2018 to August 31, 2018, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the year and period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3
Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

December 23, 2019

GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Notes		August 31, 2019	August 31, 2018
ASSETS				
Current assets				
Cash		$	512,777	2,486,669
Trade and other receivables			401,590	71,759
Prepaids	6		381,396	-
Promissory note receivable	7		696,227	-
Total current assets			1,991,990	2,558,428
Deposits	9a		79,904	77,714
Lease, net of amortization	8		457,178	601,605
Intangible asset	10		3,992,239	3,829,366
Deferred acquisition cost	9b		199,761	-
Total assets		$	6,721,072	7,067,113
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Trade payables and other liabilities	14	$	527,558	115,355
Total current liabilities			527,558	115,355
Derivative liability	12c		-	3,433,644
Total liabilities			527,558	3,548,999
Equity				
Share capital	12		9,866,773	7,322,026
Shares to be issued	12		-	17,518
Reserves	12		1,611,490	803,410
Accumulated other comprehensive income			94,941	419
Deficit			(5,379,690)	(4,625,259)
Total equity			6,193,514	3,518,114
Total liabilities and equity		$	6,721,072	7,067,113

Nature of Operations (Note 1)
Subsequent Events (Note 19)

Approved on behalf of the Board:

"*Rahim Rajwani*" Director

"*Faizaan Lalani*" Director

The accompanying notes form an integral part of these consolidated financial statements

GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)

Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes		Year ended August 31, 2019		Period from incorporation on March 21, 2018 to August 31, 2018
Revenue					
License royalties	10	$	332,755	$	128,451
Lease	8		441,037		107,979
			773,792		236,430
Operating expenses					
General and administrative	11		952,649		585,345
Advertising and marketing			472,726		21,984
Management fees	11		385,222		155,774
Fees and reimbursements			-		134,306
Lease expense	8		223,520		62,988
Amortization of intangible asset	10		210,411		56,468
Amortization of lease	8		160,628		46,115
Bad debt expense			36,451		-
Share-based payments			1,234,697		545,411
			3,676,304		1,608,391
Loss before other items			(2,902,512)		(1,371,961)
Other items					
Other income			34,224		-
Listing expense	5		(1,735,263)		-
Interest expense			-		(28,550)
Finance costs			-		(43,645)
Foreign exchange loss			(84,156)		(36,134)
Change in fair value of derivative liability	12c		(4,706,559)		(3,144,969)
Gain on derecognition of derivative liability	12c		8,639,835		-
Net loss			(754,431)		(4,625,259)
Other comprehensive income					
Foreign currency translation adjustments			94,522		419
Comprehensive loss		$	(659,909)	$	(4,624,840)
Weighted average number of common shares outstanding			47,809,947		25,600,769
Basic and diluted net loss per share		$	(0.01)	$	(0.18)

The accompanying notes form an integral part of these consolidated financial statements

GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

		For the year ended August 31, 2019		Period from incorporation on March 21, 2018 to August 31, 2018
Operating activities				
Net loss	$	(754,431)	$	(4,625,259)
Adjustments for non-cash items				
Amortization of lease		160,628		46,115
Amortization of intangible asset		210,411		56,468
Share-based payments		1,234,696		545,411
Listing expense		1,391,518		-
Change in fair value of derivative liability		4,706,559		3,144,969
Gain on derecognition of derivative liability		(8,639,836)		-
Unrealized foreign exchange loss		(168)		(13,379)
Interest income		(30,214)		43,645
Changes in non-cash working capital items:				
Trade and other receivables		(324,511)		(71,759)
Prepaids and deposits		(379,838)		(77,714)
Trade payables and other liabilities		381,577		115,355
Net cash used in operating activities		(2,043,609)		(836,148)
Investing activities				
Purchase of intangibles		(265,102)		(3,885,708)
Purchase of lease		-		(647,618)
Cash acquired on acquisition of Bethpage		1,105		-
Deferred acquisition cost		(199,761)		-
Net cash used in investing activities		(463,758)		(4,533,326)
Financing activities				
Proceeds from issuance of share capital		1,074,303		8,117,007
Shares to be issued		-		17,518
Share issuance costs		(20,104)		(278,382)
Promissory note receivable		(662,754)		-
Warrants exercised for cash		83,300		-
Net cash provided by financing activities		474,745		7,856,143
Net increase (decrease) in cash		(2,032,622)		2,486,669
Effect of exchange rate changes on cash		58,730		-
Cash, beginning of period		2,486,669		-
Cash, end of period	$	512,777	$	2,486,669

The accompanying notes form an integral part of these consolidated financial statements

GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Notes	Number of Shares	Share Capital	Shares to be Issued	Reserves	Accumulated Other Comprehensive Income	Deficit	Total equity
Balance, March 21, 2018		-	$ -	$ -	**$ -**	**$ -**	**$ -**	**$ -**
Shares issued		56,256,598	8,070,841	17,518	-	-	-	8,088,359
Reallocation of warrants to derivative liability		-	(299,796)	-	-	-	-	(299,796)
Share issuance costs		-	(449,019)	-	257,999	-	-	(191,020)
Share-based payments		-	-	-	545,411	-	-	545,411
Comprehensive income (loss)		-	-	-	-	419	(4,625,259)	(4,624,840)
Balance, August 31, 2018		**56,256,598**	**$ 7,322,026**	**$ 17,518**	**$ 803,410**	**$ 419**	**$ (4,625,259)**	**$ 3,518,114**
Shares issued	12	5,032,901	1,091,221	(10,000)	-	-	-	1,081,221
Penalty shares issued	12	1,271,700	445,097	-	-	-	-	445,097
Green Star Biosciences Inc. shares cancelled in share exchange with shareholders in RTO		(62,561,199)	(8,858,344)	-	-	-	-	(8,858,344)
Shares issued to shareholders in RTO		62,561,199	8,858,344	-	-	-	-	8,858,344
Shares issued and options deemed to be issued in RTO	5	4,450,000	1,363,364	-	28,160	-	-	1,391,524
Shares issued pursuant to warrant exercise		833,000	83,300	-	-	-	-	83,300
Reallocation of warrants to derivative liability	12	-	(418,378)	-	-	-	-	(418,378)
Share issuance costs	12	-	(19,857)	-	-	-	-	(19,857)
Share-based payments		-	-	-	779,920	-	-	779,920
Reclassification of shares to be issued to accounts payable and other liabilities	12	-	-	(7,518)	-	-	-	(7,518)
Comprehensive income (loss)		-	-	-	-	94,522	(754,431)	(659,909)
Balance, August 31, 2019		**67,844,199**	**$ 9,866,773**	**$ -**	**$ 1,611,490**	**$ 94,941**	**$ (5,379,690)**	**$ 6,193,514**

The accompanying notes form an integral part of these consolidated financial statements

1. Nature of Operations and Going Concern

GreenStar Biosciences Corp. (formerly Bethpage Capital Corp.) (the "Company") was incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The head office, principal address and registered office of the Company are located at 717-1030 West Georgia Street, Vancouver, BC V6E 2Y3.

On May 30, 2019, a reverse takeover transaction was completed (Note 5) and the Company changed its name to GreenStar Biosciences Corp. The Company's common shares are listed under the symbol "GSTR" on the Canadian Securities Exchange.

The Company owns acquired brands, owns intellectual property and leases office and production premises to a cannabis processor and retailer. It is a technology and services company that provides real estate, financial, management, IP and branding support to licensed cannabis businesses.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These consolidated interim financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

The Company generated negative cash flows of $2,043,609 from operations during the year ended August 31, 2019 and its business has incurred net losses since inception. These factors form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to raise sufficient financing to acquire or develop a profitable business. The Company intends on financing its future development activities and operations from the sale of equity securities.

The Company indirectly derives its revenues from the cannabis industry in the State of Washington, USA and the cannabis industry remains illegal under US federal law and the approach to enforcement of U.S. federal laws against cannabis is subject to change. Because the Company engages in cannabis related activities in the U.S., it assumes certain risks due to conflicting state and federal laws.

Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the Washington State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

These consolidated financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the consolidated financial statements.

2. Statement of Compliance and Basis of Presentation

(a) Statement of Compliance

These audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The audited consolidated annual financial statements were authorized for issuance by the Board of Directors on December 23, 2019.

The audited consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value each reporting period. The consolidated annual financial statements are presented in Canadian dollars ("CDN"), unless otherwise stated.

(b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

The functional currency of the Company and its subsidiaries has been determined by management based on consideration of the currency and economic factors that primarily influence the Company's revenues and the costs of its business operation. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

The functional currency of the Company from May 30, 2019 is the Canadian dollar. The functional currency was changed on May 30, 2019 as a result of a completed reverse-takeover (Note 5) from the US dollar to the Canadian dollar to reflect that the Canadian dollar has become the predominant currency in the Company, counting for a significant part of the Company's cash flow, cash flow management and financing. The change has been implemented prospectively and with no adjustment to the opening deficit. The functional currency of Green Star Biosciences Inc., Green Star Washington LLC, and Green Star Biosciences Packing LLC is the United States dollar.

Foreign currency transactions that are in a different currency other than the US dollar are recorded at the exchange rate as at the date of the transaction. At the end of each statement of financial position date, any foreign currency based monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the

functional currency are translated using the historical rate. Gains and losses on transactions are included in the statement of loss and comprehensive loss.

These consolidated financial statements have been presented in Canadian dollars, unless otherwise stated, which is the Company's presentation currency. The consolidated financial statements are translated into Canadian dollars with assets and liabilities translated at the current rate on the consolidated financial statements date and revenue and expense items translated at the average rates for the period. Translation adjustments relating to subsidiaries with a different functional currency are recorded as accumulated other comprehensive income (loss) in shareholders' equity.

(d) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

		2019	**2018**	
Name of subsidiary	**Country of Incorporation**	**Percentage Ownership**	**Percentage Ownership**	**Functional Currency**
Green Star Biosciences Inc.	Canada	100%	100%	USD
Green Star Washington LLC	United States	100%	100%	USD
Green Star Biosciences Packing LLC	United States	100%	100%	USD

The financial statements of the Company's subsidiaries are included in the consolidated financial statements. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation.

(e) Use of Estimates and Judgments

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain accounting estimates. It also requires management to make certain accounting assumptions and requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Significant Accounting Policies

Foreign currency transactions

Foreign currency accounts are translated into the Company's presentation currency, the Canadian dollar, as follows:

At the transaction date, each asset, liability, revenue, and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the

exchange rate in effect at the period end date and the related translation differences are recognized in net income.

Exchange gains and losses arising on the re-translation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net loss for the period. Exchange gains and losses on non-monetary available-for-sale assets form part of the overall gain or loss recognized in respect of that financial instrument are included in profit and loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Cash and cash equivalents

Cash is comprised of cash on hand, cash held in trust accounts and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within three months when acquired. The Company did not have any cash equivalents as of August 31, 2019.

Trade receivables

Trade receivables are recognized initially at fair value less allowances made for doubtful receivables based on a review of year-end trade receivables, and do not carry any interest. An allowance for doubtful receivables is generally made when there is objective evidence that the Company will not be able to collect the amounts due according to original payment terms or when there are indications of collection issues related to specific customers.

Revenue recognition

During the year ended August 31, 2019, the Company adopted IFRS 15 Revenue from Contracts with Customers, which establishes a single five-step model framework for determining the nature, amount, timing an uncertainty of revenue and cash flow arising from the Company's contracts with customers. The five-step model is described below:

Step 1: Identify the contract;

Step 2: Identify separate performance obligations;

Step 3: Determine transaction price;

Step 4: Allocate the transaction price to the performance obligations; and

Step 5: Recognize revenue when performance obligation is satisfied.

The Company has the following types of revenue streams:

License Royalties

The Company accounts for sales-based royalties, charged on a per unit basis, in exchange for the license to use its intellectual property. Licensing revenue is recognized when the sale of licensed products occurs and in accordance with the terms of its licensing agreements (Note 10).

Leases

The Company accounts for the leases of premises with its tenants as operating leases in accordance with the substance of the lease agreements. Lease revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries. Revenue from leases is recognized based upon the periodic rent amounts due under the terms of the sublease agreement (Note 8).

Property, plant, and equipment

Recognition and measurement

On initial recognition, property, plant, and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Such costs include appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, except for land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses

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 and are recognized on a net basis in profit or loss.

Depreciation and Amortization

Depreciation and amortization are recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

	Years
Lease agreement	over lease period
Equipment	5-7

Depreciation methods, useful lives and residual values are reviewed at each financial period end and adjusted if appropriate.

Intangible assets

Intangible assets consist of product branding of licensed products for cannabis and cannabis-related products and these are recorded at cost less accumulated amortization and accumulated impairment losses. Intangible assets have a finite life and are amortized using the straight-line method over their estimated useful lives. The useful lives of the intangible assets are reviewed at least annually. Amortization is recognized on a straight-line basis over the contract term or life of the patent, as applicable.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a re-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued, where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement".

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL. Trade receivables are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

Impairment

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

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

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables are classified under other financial liabilities and carried at amortized cost. Warrant liability is classified under other financial liabilities and carried on the statement of financial position fair value through profit or loss . At August 31, 2019, the Company classified derivative liability from share purchase warrants with an exercise price in CDN dollars (see Note 12) as financial liabilities at fair value through profit or loss. As these warrants are exercised, the fair value of the recorded derivative liability on date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire unexercised, the related decrease in derivative liability is recognized in net income.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company

accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and equity warrants are recognized as a deduction from equity, net of any tax effects. Transaction costs directly attributable to derivative warrants are charged to operations as a finance cost.

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Share-based payments are initially recorded to reserves. Subsequently, consideration paid for the shares on the exercise of share-based payments are credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Loss per share

Basic loss per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding and reduced by any shares held in escrow during the reporting period. Diluted loss per share is calculated by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding, all additional common shares that would have been outstanding if potentially dilutive instruments were converted and reduced by any shares held in escrow.

New accounting standards adopted

On September 1, 2018, the Company adopted a new accounting standard IFRS 15 – *Revenue from Contracts with Customers,* effective for annual periods beginning on or after February 1, 2018 using the retrospective method of adoption. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customer. The Company generates revenue through licensing and lease agreements with a sole customer. The Company has reviewed its sources of revenue using the guidance found in IFRS 15 and determined that there are no material changes to the timing and measurement of the Company's revenue from there sources as compared to other standards.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company expects that it will recognize additional assets and liabilities as a result of the current leasing arrangements. The full extent of the impact of adoption of this standard has not been determined.

IFRS 16 *Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

Under IFRS 16, the Company would recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company would recognize the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Under IFRS 16, the lease liability is initially measured at the present value of the lease payments and expected payments at the end of the lease, discounted using the rate implicit in the lease. If the rate implicit in the lease cannot be readily determined, the Company would use its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is measured at a cost that includes the lease liability, adjusted for any initial direct costs; prepaid lease payments; estimated costs to dismantle, remove or restore; and lease incentives received. The right-of use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

Under IFRS 16, the Company would re-measure the lease liability and make a corresponding adjustment to the related right-of-use asset whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Company will apply the new standard using the modified retrospective approach with no restatement of comparative periods. There will be no adjustments to retained earnings as result of adoption.

The Company has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its previous assessment made under IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease. The definition of a lease under IFRS 16 will be applied only to contracts entered into or modified on or after September 1, 2019. The adoption of IFRS 16 is not expected to have a significant impact on the Company's financial statements, as all of its leases are already recorded as finance leases, and there are no operating leases

4. Critical Accounting Estimates and Judgements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as the follows:

a) Share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

c) Useful lives of property, plant and equipment and intangibles

Property, plant, and equipment and intangible assets are amortized or depreciated over their useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

d) Impairment

Long-lived assets, including property, plant and equipment are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Judgments and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

e) Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

f) Functional currency

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Foreign currency gains and losses on transactions or settlements are recognized in the statement of loss and comprehensive loss. The functional currency of Green Star Biosciences Inc., Green Star Washington LLC, and Green Star Biosciences Packing LLC is the United States dollar. Assets and liabilities are translated at the period end foreign exchange rate and revenue and expenses are translated at the average rate for the period.

These consolidated financial statements have been presented in Canadian dollars, unless otherwise stated, which is the Company's presentation currency. The consolidated financial statements are translated into Canadian dollars with assets and liabilities translated at the current rate on the consolidated financial statements date and revenue and expense items translated at the average rates for the period. Translation adjustments are recorded as accumulated other comprehensive income (loss) in shareholders' equity.

g) Trade receivables

The Company accounts for impairment of trade receivables by recording allowances for doubtful accounts on an individual basis, as its sole customer is Cowlitz. The assessment of whether a receivable is collectible involves the use of judgment and requires the use of assumptions about customer defaults that could change significantly. Judgment is required when we evaluate available information about a particular customer's financial situation to determine whether it is probable that a credit loss will occur, and the amount of such loss is reasonably estimable and thus an allowance for that specific account is necessary. Changes in our estimates about the allowance for doubtful accounts could materially impact reported assets and expenses, and our profit could be adversely affected if actual credit losses exceed our estimates.

h) Promissory note receivable

The Company accounts for impairment of note receivables by recording allowances. The assessment of whether a note receivable is collectible involves the use of judgment and requires the use of assumptions about the financial situation of who the note was issued. Judgment is required when we evaluate available information about a particular customer's financial situation to determine whether it is probable that a credit loss will occur on the note receivable, and the amount of such loss is reasonably estimable and thus an allowance for that specific account is necessary. Changes in our estimates about the allowance for doubtful accounts could materially impact reported assets and expenses, and our profit could be adversely affected if actual credit losses exceed our estimates.

i) Deferred acquisition cost

On February 26, 2019, Green Star Biosciences Inc. entered into a non-binding letter of intent ("LOI") for a Partnership Agreement with Delta One Consultants LLC ("Delta1"). The Company intends to partner with Delta1 to purchase an interest in an indoor cannabis grow operation. In connection with the LOI, the Company paid USD $150,000 ($199,761) to Delta1. Management has used judgement and determined that the amount paid to Delta1 meets the definition of an asset and it is reasonably expected to complete the acquisition of a 51% interest in the Inkster, Michigan facility. If the

Company fails to execute a Final Partnership Agreement as outlined in the LOI and complete the acquisition, then $100,000 of the deposit will be refundable per the LOI.

j) Listing expense

The listing expense has been calculated using an estimated share value of Green Star Biosciences Inc. of $0.306 as at May 30, 2019. The value of the shares was estimated based on the price of $0.45 per unit in the private placement prior to the calculation of the expense. The warrants issued were valued at $0.144 using the Black Scholes model, with the residual value of unit applied to the common shares equivalent to $0.306 cents per share. The warrant value of $0.144 was estimated using the following inputs: 150% volatility, a risk-free interest rate of 1.56% and dividend yield of zero.

5. Reverse Take Over and Listing Transaction

On May 30, 2019, the Company was acquired in a reverse takeover ("RTO") with Green Star Biosciences Inc. in which 93.36% of the shares of the combined entity of GreenStar Biosciences Corp. are held by the former shareholders of GreenStar Biosciences Inc.. Pursuant to the RTO, the following occurred:

(i) The Company completed a consolidation of its common shares immediately prior to the completion of the amalgamation (as defined below), of its then issued and outstanding 8,900,000 common shares on the basis of one new Bethpage Capital Corp. share for every two (2) existing Bethpage Capital Corp. shares.
(ii) The Company's subsidiary, 2173969 Alberta Ltd. amalgamated with Green Star Biosciences Inc., a private corporation incorporated under the Business Corporations Act of Alberta and changed its name to Green Star Biosciences Inc. ("Amalco").
(iii) The Company acquired all of the issued and outstanding common shares of Amalco from the former shareholders of Green Star Biosciences Inc. in exchange for an aggregate of 62,561,199 Bethpage Capital Corp. shares. The Company changed its name from Bethpage Capital Corp. to GreenStar Biosciences Corp.

As a result of the RTO, the former shareholders of Green Star Biosciences Inc. acquired control of the Company, thereby constituting a reverse takeover of the Company. The RTO is considered a purchase of the Company's net assets by the shareholders of Green Star Biosciences Inc.

For accounting purposes, the legal subsidiary, Green Star Biosciences Inc., has been treated as the acquirer and GreenStar Biosciences Corp., the legal parent, has been treated as the acquiree. Accordingly, these consolidated financial statements reflect a continuation of the financial position, operating results, and cash flow of the Company's legal subsidiary, Green Star Biosciences Inc.

For accounting purposes, the RTO is considered to be outside the scope of IFRS 3 Business Combinations since Bethpage Capital Corp, prior to the RTO, did not constitute a business. The RTO is accounted for in accordance with guidance provided in IFRS 2 Share-Based Payment whereby it is treated as an issuance of shares by Green Star Biosciences Inc. for the net assets of Bethpage Capital Corp. and its listing status, and the fair value of the consideration issued by Greenstar Biosciences Inc. is used to measure the RTO (see Note 4(j)).

Because the Company cannot identify specifically some or all of the goods or services received in the RTO in return for the exchange of shares and warrants, the value in excess of the net identifiable assets of Bethpage Capital Corp. acquired on closing is expensed in the consolidated statement of comprehensive loss as a listing transaction expense.

A calculation of the listing expense is as follows:

	Number	Amount
Outstanding common shares of Bethpage deemed to be issued	4,450,000	1,363,364
Outstanding share purchase options of Bethpage deemed to be issued	112,500	28,160
Prior cash advanced to Bethpage Capital Corp.		173,419
Total Consideration		1,564,943

Net working capital deficiency assumed:

Cash	$	1,105
Accounts receivable		1,826
Accounts payable and other liabilities		(18,744)
Net working capital deficiency		15,813

Total consideration	$	1,564,943
Professional fees related to listing		154,507
Add: working capital deficiency		15,813
Total listing expense	$	1,735,263

The fair value of stock options assumed in the Acquisition was determined to be $28,160 and estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Share price	$0.306
CAD/USD exchange rate	1.3503
Risk-free interest rate	1.47%
Expected volatility	150%
Dividend yield	0%
Expected life	3.06 years

6. Prepaids

During the year ended August 31, 2019, the Company paid an invoice from a marketing firm for a total of $332,935 (US$250,000). As at August 31, 2019, the marketing services have not been performed yet.

7. Promissory Note Receivable

On February 4, 2019, the Company issued a loan in exchange for a promissory note for US$500,000 ($665,870) to Progressive Herbs Inc. The note bears interest at a rate of 8% per annum and all outstanding principal and accrued interest is due on February 4, 2020. The note is secured by intellectual property and licenses held by the borrower. For the year ended August 31, 2019, the Company recorded interest income of US$22,795 ($30,356) included in other income related to this promissory note. As at August 31, 2019, US$22,795 ($30,356) of associated accrued interest is included in promissory note receivable.

8. Leases

On May 17, 2018, the Company entered into a Lease Purchase Agreement with the landlord of the premises of Cowlitz under which the Company paid USD$500,000 ($639,420) to purchase the rights to the lease and paid an additional USD$60,000 ($77,714) as a lease deposit. The purchase price of the lease rights is being amortized over the term of the lease which expires on June 30, 2022.

		2019
Opening balance, August 31, 2018	$	601,605
Amortization		(160,628)
Foreign currency translation		16,201
Ending balance, August 31, 2019	$	457,178

		2018
Opening balance, on Incorporation March 21, 2018	$	-
Additions		639,420
Amortization		(46,115)
Foreign currency translation		8,300
Ending balance, August 31, 2018	$	601,605

During the year ended August 31, 2019, the Company recorded gross rental income of $441,037 in lease revenue under the terms of the Sublease Agreement with Cowlitz.

During the period from incorporation to August 31, 2018, the Company recorded gross rental income of $107,979 in lease revenue under the terms of the Sublease Agreement with Cowlitz.

During the year ended August 31, 2019, the Company incurred lease expense of $223,520 under the terms of the Lease Agreement, pursuant to the Lease Purchase Agreement.

During the period from incorporation to August 31, 2018, the Company incurred lease expense of $62,988 under the terms of the Lease Agreement, pursuant to the Lease Purchase Agreement.

9. Deposits and deferred acquisition costs

a) The Company has a deposit with the landlord of US$60,000 ($79,904) as described in Note 8.

b) On February 26, 2019, Green Star Biosciences Inc. entered into a non-binding letter of intent ("LOI") for a Partnership Agreement with Delta One Consultants LLC ("Delta1"). The Company intends to partner with Delta1 to purchase an interest in an indoor cannabis grow operation. In connection with the LOI, the Company paid US$150,000 ($199,761) to Delta1. If the Company fails to execute a Final Partnership Agreement as outlined in the LOI, then the deposit will be refundable per the LOI. As at August 31, 2019, US$150,000 ($199,761) is recorded as a deferred acquisition cost.

10. Intangible Asset

On May 17, 2018, the Company entered into an Intellectual Property Purchase Agreement with Cowlitz whereby the Company purchased an intangible asset from Cowlitz for consideration of US$3,000,000 ($3,885,708). In October 2018, the Company amended its Intellectual Property Purchase Agreement with Cowlitz to reflect the purchase of additional intangibles assets for a total consideration of US$200,000 ($263,229). The value of the acquired intangible asset is in product branding of cannabis and cannabis-related products and has an estimated useful saleable life of twenty years at acquisition.

The Company has the right and ability to sell the acquired brands and trademarks at any time. The Company has the right to license the asset to various companies and generate revenues from licensing fees. The Company is responsible for maintenance of existing registrations of the trademarks, including renewal fees. The Company is responsible for the protection of the intellectual property, including any legal action required to be taken against infringement of the intellectual property.

Cost		
Opening balance, on incorporation at March 21, 2018	$	-
Additions		3,885,708
Ending balance, August 31, 2018		3,885,708
Additions*		263,229
Foreign currency translation		112,633
Ending balance, August 31, 2019	$	4,261,570
*Additional rights to brands and trademarks were acquired in the year		
Accumulated amortization		
Opening balance, on incorporation at March 21, 2018	$	-
Amortization		56,468
Foreign currency translation		(126)
Ending balance, August 31, 2018		56,342
Amortization		210,411
Foreign currency translation		2,578
Ending balance, August 31, 2019		269,331
Net book value, August 31, 2018	$	3,829,366
Net book value, August 31, 2019	$	3,992,239

The intangible asset is subject to an impairment test if there is an indictor of impairment. The carrying value and ultimate realization of the asset is dependent upon management's estimates of future earnings and benefits that the Company expects to generate from its use. If management's expectations of future results and cash flows are significantly diminished, intangible assets may be impaired and the resulting charge to operations may be material. Based on management's assessment, there have been no impairment indicators as of August 31, 2019 and accordingly the Company has not recorded any impairment losses related to the intangible asset during the year ended August 31, 2019.

After purchasing the intangible asset, the Company entered into a License Agreement with Cowlitz which granted Cowlitz a perpetual, irrevocable, non-exclusive, non-assignable, non-sublicensable right and license to use, manufacture, have manufactured and sell Licensed Products in Washington State and to use the IP in connection with the Licensed Products. Pursuant to the terms of the License Agreement, Cowlitz will pay monthly license fees based on actual sales on a per-unit basis.

During the year ended August 31, 2019, the Company recognized $332,755 (2018 - $128,451) in licensing royalties earned pursuant to the License Agreement.

11. Related Party Transactions

*a) Key management compensat*ion

Key management consists of the officers and directors who are responsible for planning, directing and controlling the activities of the Company.

During the year ended August 31, 2019, the Company incurred charges with officers and directors recorded at their exchange amounts as agreed upon by transacting parties as follows:

		For the year ended August 31, 2019		For the period from incorporation on March 21, 2018 to August 31, 2018
Management fees	$	385,222	$	155,774
Share based payments		451,730		341,696
Total key management compensation	$	836,952	$	497,470

During the year ended August 31, 2019 and period from incorporation to August 31, 2018, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

Share-based payments are the fair value of options granted to key management personnel as at the grant date.

b) Other transactions

During the year ended August 31, 2019, the Company incurred $104,704 in legal costs to a law firm in which a former director is a partner.

During the period from Incorporation on March 21, 2018 to August 31, 2018, the Company incurred $122,768 in legal costs to a law firm in which a director is a partner. The legal costs are included in general and administrative expenses in the statement of comprehensive loss.

During the year ended August 31, 2019, the Company incurred $97,928 (2018 - $Nil) in accounting fees to a Company owned by the Chief Financial Officer ("CFO"). The accounting fees are included in general and administrative expenses in the statement of loss and comprehensive loss.

c) *Related party balances*

As at August 31, 2019, included in accounts payable and other liabilities is $63,322 (2018 - $Nil) in amounts payable to a company owned by the CFO of the Company for unpaid accounting fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2019, included in accounts payable and other liabilities is $62,301 (2018 - $Nil) in amounts payable to a company owned by the CEO of the Company for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2019, included in accounts payable and other liabilities is $29,025 (2018 - $Nil) in accounts payable to a consulting firm owned by the Chief Operations Officer ("COO") for consulting fees. The amount is unsecured, non-interest bearing and due on demand. On August 31, 2019, the Company terminated services with the consulting firm owned by Daniel McAtee, COO.

As at August 31, 2019, included in accounts payable and other liabilities is $20,794 (2018 - $Nil) in accounts payable to a company owned by former President and current director for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at August 31, 2019, included in accounts payable and other liabilities is $21,000 (2018 - $Nil) in amounts payable to a director of the Company for directors fees. The amount is included in management fees in the Consolidated Statement of Loss and Comprehensive Loss. The amount is unsecured, non-interest bearing and due on demand.

12. Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

a) Issued

During the year ended August 31, 2019:

On November 1, 2018, the Company issued 2,500,000 units pursuant to a non-brokered private placement at $0.05 per unit for gross proceeds of $125,000. Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.10 per warrant until for a period of 24 months from the closing date..

On November 30, 2018, pursuant to the terms of the Agency Agreement (as defined herein the "Agreement"), the Company issued 540,350 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until June 29, 2020.

On November 30, 2018, pursuant to the terms of the Agency Agreement, the Company issued 95,500 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until July 31, 2020.

On December 19, 2018, the Company issued 50,000 common shares in a non-brokered private placement at $0.20 per share for gross proceeds of $10,000.

On January 4, 2019, the Company issued 977,413 units pursuant to a non-brokered private placement at $0.35 per unit for gross proceeds of $342,095. Each unit consists of one common share and one half

of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until January 4, 2021.

On January 15, 2019, the Company issued 80,000 common shares and 66,419 share purchase warrants to a consultant in exchange for services. The shares were fair valued at $11,200. Each warrant is exercisable into one common share of the Company at an exercise price of $0.35 per warrant until January 1, 2021.

On January 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 270,175 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until June 29, 2020.

On January 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 47,750 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until July 31, 2020.

On March 25, 2019, the Company issued 385,429 units pursuant to a non-brokered private placement at $0.35 per unit for gross proceeds of $134,900. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

On March 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 270,177 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until June 29, 2020.

On March 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 47,748 Penalty Units. Each Penalty Unit consists of one common share and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant until July 31, 2020.

On May 15, 2019, the Company issued 328,948 units pursuant to a non-brokered private placement at $0.45 per unit for gross proceeds of $148,027. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

On May 22, 2019, the Company issued 711,111 units pursuant to a non-brokered private placement at $0.45 per unit for gross proceeds of $320,000. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

On August 7, 2019, the Company issued 500,000 common shares pursuant to a warrant exercise at $0.10 per share for gross proceeds of $50,000.

On August 15, 2019, the Company issued 333,000 common shares pursuant to a warrant exercise at $0.10 per share for gross proceeds of $33,300.

During the period from incorporation on March 21, 2018 to August 31, 2018:

On May 10, 2018, the Company issued 30,899,994 units pursuant to a non-brokered private placement at $0.05 per unit for gross proceeds of $1,545,000. Each unit consists of one common share in the Company and one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.10 per warrant for a period of 24 months from the closing date.

On May 18, 2018, the Company issued 15,659,800 restricted common shares in a non-brokered private placement at $0.20 per share for gross proceeds of $3,131,960.

On May 23, 2018, the Company issued 285,714 units pursuant to a non-brokered private placement at $0.35 per unit for gross proceeds of $100,000. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.35 per warrant for a period of 24 months from the closing date.

On June 29, 2018, the Company issued 5,403,500 units pursuant to a brokered private placement at $0.35 per unit for gross proceeds of $1,891,225. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

On July 23, 2018, the Company issued 2,817,590 units pursuant to a non-brokered and 150,000 units in a brokered private placement at $0.35 per unit for gross proceeds of $1,038,657. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

On July 31, 2018, the Company issued 955,000 units pursuant to a brokered private placement at $0.35 per unit for gross proceeds of $334,250. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

On August 2, 2018, the Company issued 85,000 units pursuant to a brokered private placement at $0.35 per unit for gross proceeds of $29,750. Each unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months from the closing date.

Shares to be Issued

As at August 31, 2019, there was $Nil in share subscriptions (2018 - $17,518). As at August 31, 2019, $7,518 was reclassified from shares to be issued to accounts payable and other liabilities.

b) Share Issuance Costs

On May 18, 2018, the Company issued 700,000 broker warrants in connection with a private placement. Each warrant is exercisable into one common share of the Company at $0.20 per share for a period of two years. Fair value was estimated at $100,420 or $0.14 per warrant at the grant date using the Black-Scholes option pricing model with the following assumptions: no expected dividends to be paid; volatility of 150% based on historical volatility; risk-free interest rate of 2.03%; and expected life of 2 years.

On June 29, 2018, the Company entered into an agency agreement as amended October 3, 2018 (the Agency Agreement) with Mackie Research Capital Corporation ("Mackie") where Mackie agreed to act as Agent for the Company for its brokered private placement of up to 12,857,143 units at a purchase price of $0.35 per unit for gross proceeds of up to $4,500,000 (the "Offering"). On June 29, 2018, the Company closed a first tranche of the Offering and issued a total of 5,403,500 units for gross proceeds of $1,891,225. Under the terms of the Agency Agreement, the Company paid a cash commission of $132,386 (7% of the gross proceeds from the Offering), $40,000 (plus applicable GST) as a corporate finance fee and $34,689 in legal fees and other expenses to Mackie. In addition, the Company issued 378,245 compensation options (7% of the number of units sold under the Offering). Each compensation option is exercisable to acquire one Agent unit at an exercise price of $0.35 per Agent unit, exercisable for a period of 24 months of a Liquidity Event for the Company. Each Agent unit consists of one common share in the Company and one half of one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.75 per warrant for a period of 24 months until June 29, 2020. The Compensation Options were fair valued on the grant date at $94,866 and recorded to share issuance costs.

The terms of the Agency Agreement also provided that if the Company has not completed an event that results in the Company being listed as a reporting issuer on a recognized exchange by the later of 120 days from closing or November 30, 2018 (the "Liquidity Expiry Period"), each unit holder shall be entitled to additional units equal to 0.10 of the number of units the unit holder purchased pursuant to the Offering ("Penalty Units") and for each additional sixty (60) day period after the Liquidity Expiry Period an additional number of Penalty Units equal to 0.05 of the number of units the unit holder purchased pursuant to the Offering. Each Penalty Unit issued due to the operation of the Liquidity Expiry Period is to have the same terms as a unit issued in the Offering.

On July 23, 2018, the Company paid finders fees equal to $2,550 and issued 7,000 finders' warrants to a finder pursuant to a non-brokered private placement. Each finder warrant is exercisable into one common share of the Company at $0.35 per warrant until July 24, 2020.

On July 24, 2018, the Company issued 7,000 broker warrants in connection with a private placement. Each warrant is exercisable into one common share of the Company at $0.35 per share for a period of two years. Fair value was estimated at $1,757 or $0.25 per warrant at the grant date using the Black-Scholes option pricing model with the following assumptions: no expected dividends to be paid; volatility of 150% based on historical volatility; risk-free interest rate of 1.99%; and expected life of 2 years.

On July 27, 2018, the Company closed a second tranche of the Offering and issued a total of 955,000 units for gross proceeds of $334,250. Under the terms of the Agency Agreement, the Company paid a cash commission of $23,398 and $(2,467) in legal fees and other expenses to Mackie. In addition, the Company issued 66,850 compensation options. The Compensation Options were fair valued on the grant date at $16,775 and recorded to share issuance costs.

On August 2, 2018, the Company paid a total of $62,183 in finders' fees and issued 175,950 finders warrants to finders pursuant to funds raised for its non-brokered private placements. Each finder

warrant is exercisable into common shares of the Company at an exercise price of $0.35 per warrant until August 2, 2020.

On August 2, 2018, the Company issued 175,950 broker warrants in connection with a private placement. Each warrant is exercisable into one common share of the Company at $0.35 per share for a period of two years. Fair value was estimated at $44,180 or $0.25 per warrant at the grant date using the Black-Scholes option pricing model with the following assumptions: no expected dividends to be paid; volatility of 150% based on historical volatility; risk-free interest rate of 2.07%; and expected life of 2 years.

On January 7, 2019, the Company paid finders fees equal to $19,857 to a finder pursuant to a non-brokered private placement.

c) Share Purchase Warrants

The following is a summary of changes in share purchase warrants for the period ended August 31, 2010 and 2018:

	Number	Weighted Average Exercise Price
Balance, Incorporation on March 21, 2018	-	$ -
Issued	36,631,346	$0.19
Balance, August 31, 2018	36,631,346	$0.19
Issued	4,403,718	$0.37
Exercised	(833,000)	$0.10
Balance, August 31, 2019	40,202,064	$0.21

At August 31, 2019, the Company had 40,202,064 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date	Number Vested
32,566,994	$0.10	May 10, 2020	32,566,994
700,000	$0.20	May 18, 2020	700,000
142,857	$0.35	May 23, 2020	142,857
3,242,100	$0.75	June 29, 2020	3,242,1016
7,000	$0.35	July 24, 2020	7,000
1,483,795	$0.75	July 23, 2020	1,483,795
573,000	$0.75	July 31, 2020	573,000
42,500	$0.75	August 2, 2020	42,500
175,950	$0.35	August 2, 2020	175,950
66,419	$0.35	January 1, 2021	66,419
488,706	$0.75	January 4, 2021	488,706
192,714	$0.75	March 25, 2021	192,714
164,474	$0.75	May 15, 2021	164,474
355,555	$0.75	May 22, 2021	355,555
40,202,064			40,202,064

As at August 31, 2019, the weighted average life of warrants outstanding was 0.74 years (2018 - 1.72).

Derivative liability

The Company's derivative liability arose as a result of the issuance of warrants exercisable in Canadian dollars being different from the U.S. dollar functional currency of Green Star Biosciences Inc. The Company recognized a derivative liability for these warrants and remeasured the liability at the end of each reporting period using the Black-Scholes option pricing model. Upon closing of the RTO, the warrants were issued under GreenStar Biosciences Corp. which has a Canadian dollar functional currency. As such, the derivative warrant liability was derecognized on May 30, 2019 and a gain on the derecognition of the derivative liability was recognized on the Consolidated Statement of Loss and Comprehensive Loss.

A reconciliation of the changes in the derivative liability during the periods ended August 31, 2019 and 2018 is as follows:

	As at August 31, 2019	For the period from incorporation March 21, 2018 to August 31, 2018
Opening balance, September 1, 2018	$ 3,433,644	$ -
Recognition upon issuance	418,378	299,796
Change in fair value	4,706,559	3,144,938
Gain on derecognition of derivative liability	(8,639,835)	-
Foreign exchange	81,254	(11,090)
Ending balance, August 31, 2019	$ -	$ 3,433,644

The following weighted average assumptions were used to estimate the fair value of the derivative warrant liability:

	At May 30, 2019	At August 31, 2018
Weighted average expected dividend yield	0.0%	0.0%
Weighted average expected volatility	150.0%	150.0%
Weighted average risk-free interest rate	2.06%	2.07%
Weighted average expected term	1.65 year	1.83 years

d) Performance Warrants

On May 18, 2018, the Company issued 4,655,992 non-transferable performance warrants ("Performance Warrant"). Each Performance Warrant is exercisable into one common share of the Company at an exercise price of $0.35 at any time for a period of 36 months following the vesting

date. The Performance Warrants vest on the date that is five (5) years from the date of issuance, May 18, 2023.

The following is a summary of the changes in performance warrants for the year ended August 31, 2019:

	Number	Weighted Average Exercise Price
Balance, Incorporation on March 21, 2018	-	$ -
Issued	4,655,992	$0.35
Balance, August 31, 2018 and 2019	4,655,992	$0.35

As at August 31, 2019, 4,655,992 performance warrants had vested on the RTO liquidity event. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date	Number Vested
4,655,992	$0.35	May 30, 2022	4,655,992
4,655,992			4,655,992

As at August 31, 2019, the weighted average life of performance warrants outstanding was 2.75 years (2018 – 7.71).

e) Options

The following is a summary of changes in share purchase options for the year ended August 31, 2019:

	Number	Weighted Average Exercise Price
Outstanding and exercisable, on Incorporation March 21, 2018	-	$0.00
Granted	4,445,095	$0.20
Outstanding, August 31, 2018	4,445,095	$0.20
Exercisable, August 31, 2018	2,000,000	$0.20
Granted	4,988,508	$0.23
Cancelled and Expired	(3,025,008)	$0.23
Outstanding, August 31, 2019	6,408,595	$0.22
Exercisable, August 31, 2019	4,066,220	$0.23

At August 31, 2019, the following stock options were outstanding, entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date	Number Vested
1,500,000	$0.20	May 30, 2028	1,500,000
175,000	$0.35	January 15, 2024	175,000
501,000	$0.35	February 1, 2024	146,125
500,000	$0.35	March 30, 2029	250,000
112,500	$0.30	February 22, 2020	112,500
250,000	$0.21	June 12, 2024	125,000
550,000	$0.25	June 28, 2024	275,000
200,000	$0.20	July 29, 2024	100,000
300,000	$0.20	July 29, 2021	-
600,000	$0.17	August 7, 2024	300,000
1,225,000	$0.12	August 30, 2024	612,500
50,000	$0.12	August 30, 2021	25,000
5,963,500			3,621,125

At August 31, 2019, the following stock options were outstanding, entitling the holders thereof the right to purchase one Agent unit consisting of one common share and one half of one share purchase warrant exercisable at $0.75 per warrant for each option held as follows:

Number	Exercise Price	Expiry Date	Number Vested
378,245	$0.35	May 30, 2021	378,245
66,850	$0.35	May 30, 2021	66,850
445,095			445,095

As at August 31, 2019, the weighted average life of options outstanding was 6.07 years (2018 – 8.96).

f) Escrow shares and Pooling Arrangements

Pursuant to the terms of the non-brokered private placements that closed on May 10, 2018 for 33,399,994 common shares, each pooling shareholder agrees to hold their securities until the release date set forth in the schedule below:

Number of Securities	Release Date
10% of Securities	Closing Date of the RTO (May 30, 2019)
30% of Securities	Last day of the fourth month following the Closing Date
30% of Securities	Last day of the eighth month following the Closing Date
30% of Securities	Last day of the twelfth month following

	the Closing Date

Pursuant to the terms of the non-brokered private placements that closed on May 18, 2018 totalling 15,659,800 common shares, any certificates representing 90% of the common shares subscribed for by a subscriber will bear a legend such that 30% of the common shares received by the subscriber will not be able to be traded before the date that is three, six and nine months, respectively, following the date of listing of the common shares on a recognized Canadian stock exchange.

Management is subject to escrow securities in the amount of 3,381,781 and will be released as follows:

Number of Securities	**Release Date**
On June 7, 2019, the date the securities are listed on a Canadian exchange	1/10 of Securities
6 months after the listing date	1/6 of Remaining Securities
12 months after the listing date	1/5 of Remaining Securities
18 months after the listing date	1/4 of Remaining Securities
24 months after the listing date	1/3 of Remaining Securities
30 months after the listing date	1/2 of Remaining Securities
36 months after the listing date	Management's remaining securities

As at August 31, 2019, 36,829,872 shares are subject to these pooling restrictions. As at August 31, 2019, 3,043,603 common shares are held per Escrow Agreement dated May 30, 2019.

13. Capital Risk Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity which is comprised of issued share capital, reserves, accumulated other comprehensive loss and deficit. In the management of capital, the Company includes the components of equity, cash, trade receivables, trade and other liabilities, which are summarized below:

		As at August 31, 2019		For the period from Incorporation March 21, 2018 to August 31, 2018
Trade and other liabilities	$	527,558	$	115,355
Less: cash		(512,777)		(2,486,669)
Less: trade and other receivables		(438,213)		(71,759)
Add: Allowance for doubtful accounts		36,623		-
Net capital	$	(386,809)	$	(2,443,073)
Shareholder's equity		6,193,514		3,518,114
Equity and net capital	$	5,806,705	$	1,075,041

The Company manages its capital structure and makes adjustments to it in light of economic conditions.

The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements as at August 31, 2019.

14. Financial Instruments and Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The operating results and financial position of the Company are reported in Canadian dollars.

The Company has high exposure to United States dollars because the Company's subsidiaries are located and operated in the United States. The transactions in US dollars are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. If the US dollar had weakened 5% against the Canadian dollar, with all other variables held constant, comprehensive loss would have been $98,883 (2018 - $90,437) lower. Conversely, if the US dollar had strengthened 5% again the Canadian dollar, with all other variables held constant, comprehensive loss would have been $98,883 (August 2018 - $90,437) higher. The Company considers this risk to be significant.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, receivables and promissory note receivable are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at August 31, 2019, the Company only has one customer and is exposed to $85,841 (2018 - $71,759) in credit risk with this customer. In addition, the Company issued a promissory note for USD $500,000 (CAD $665,870), (2018 - $Nil) and is exposed to credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2019, the Company had a cash balance of $512,777 (2018 - $2,486,669).

The table below summarizes the maturity profile of the Company's financial liabilities at August 31, 2019:

As at August 31, 2019	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	$ 441,098	-	-	-	$441,098
Other liabilities	7,714	$78,746	-	-	86,460
Total liabilities	$ 448,812	$78,746	-	-	$527,558

The table below summarizes the maturity profile of the Company's financial liabilities at August 31, 2018:

As at August 31, 2018	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	$108,155	-	-	-	$107,634
Other liabilities	-	$7,200	-	-	7,200
Total liabilities	$108,155	$7,200	-	-	$115,355

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has a promissory note receivable bearing an interest at a rate of 8% per annum and all outstanding principal and accrued interest is due on February 4, 2020. For the year ended August 31, 2019, the Company is exposed to USD $22,795 (CAD $30,356), (2018 - $Nil), of interest rate risk.

15. Basis of fair value

The Company's financial instruments consist of cash, trade receivables, other receivables, promissory note receivable, and trade payables. The fair value of the Company's trade receivables, other receivables, and trade payables and other liabilities approximate the carrying value, which is the amount on the statement of financial position due to their short-term maturities or ability of prompt liquidation. The Company's cash is measured at fair value under the fair market hierarchy based on level one quoted prices in active markets for identical assets.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy as at August 31, 2019:

	Level 1	Level 2	Level 3
Cash	$ 512,777	$ -	$ -
Total	$ 512,777	$ -	$ -

As at August 31, 2018:

	Level 1	Level 2	Level 3
Cash	$ 2,486,669	$ -	$ -
Derivative Liability	-	3,433,664	
Total	$ 2,486,669	$ 3,433,664	$ -

16. Income Taxes

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets. The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended 2019	**Period ended 2018**
Canadian statutory income tax rate	27%	27%
Expected income tax recovery at statutory rate	$(204,000)	$(1,249,000)
Permanent differences and other	(513,000)	945,000
Change in deferred tax assets not recognized	717,000	304,000
Deferred income tax recovery	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2019	**2018**
	$	$
Non-capital loss carry forwards	842,000	225,000
Acquired branding and leases	129,000	28,000
Share issuance costs	50,000	51,000
Deferred income tax assets not recognized	(1,021,000)	(304,000)
	-	-

At August 31, 2019, the Company has non-capital losses carried forward of approximately $3,127,000 available to reduce income taxes in future years which expire between 2031 and 2038.

17. Commitments

a) Lease Obligations

Pursuant to the Lease Purchase Agreement dated May 17, 2018, as discussed in Note 7, the Company is committed to lease payments in US Dollars as follows:

Fiscal year ending August 31,		
2020	$	153,234
2021		157,830
2022		99,660
	$	410,724

b) Lease Income

Pursuant to the Lease Purchase Agreement dated May 17, 2018, as discussed in Note 8, the Company is entitled to lease payments in US Dollars as follows:

Fiscal year ending August 31,		
2020	$	306,468
2021		315,660
2022		187,320
	$	809,448

18. Joint Venture

GreenStar has executed a joint venture agreement, dated February 1, 2019, with Progressive Herbs, Inc. (“Progressive”) an Illinois-based agricultural technology company (the “Progressive JV Agreement”). Progressive and its affiliate, Aggressively Organic, Inc., are the owners of a proprietary technology for a sustainable, easy-to-use, inexpensive, productive growing system known as Micro Dendritic Pods™ (the “Progressive IP”). Pursuant to the Progressive JV Agreement, Progressive and GreenStar have formed a limited liability joint venture corporation, Capri PHGS, LLC (“Capri”), for the purposes of producing, processing, marketing and distributing cannabis, hemp, medicinal and bio pharmaceutical products for consumption worldwide utilizing the

Progressive IP. Progressive has executed an exclusive sublicense agreement with Capri (the "Capri Sublicense") for the use, reproduction, development, manufacture, commercialization, sublicense and exploitation of the Progressive IP solely in connection with the production, development, manufacture and sale of cannabis, hemp, medicinal and bio pharmaceutical products for consumption. As at August 31, 2019, no costs have been incurred in the joint venture.

19. Subsequent Events

a) On September 1, 2019, the Company terminated services with Northbay Capital Partners Corp. and cancelled the 400,000 stock options that were previously issued on March 30, 2019.

b) On September 1, 2019, the Company terminated services with Liam Firus and 110,000 stock options that were previously issued on March 30, 2018 expired.

c) On September 6, 2019, the Company issued 400,000 stock options to a consultant of the Company in exchange for services. The options will vest as follows: 50% immediately and 50% on first anniversary of the grant date. Each option is exercisable into one common share at an exercise price of $0.15 until September 6, 2024.

d) On September 6, 2019, the Company issued 150,000 stock options to a consultant of the Company in exchange for services. The options will vest as follows: 100% 60 days after the grant date. Each option is exercisable into one common share at an exercise price of $0.20 until September 6, 2021.

e) On September 11, 2019, the Company issued 330,000 common shares pursuant to a warrant exercise at $0.10 per share for gross proceeds of $33,000

f) On November 20, 2019, the Company issued 250,000 stock options to a consultant of the Company in exchange for services. The options will vest as follows: 50% immediately and 50% on the first anniversary of the grant date. Each option is exercisable into one common share at an exercise price of $0.15 until November 20, 2024.

g) On October 30, 2019, 501,000 stock options that were previously issued on February 1, 2019 to FSTR Consulting, a company controlled by Daniel McAtee, expired 60 days after services were terminated on August 31, 2019.

h) On November 26, 2019, Rene Usher resigned from the strategic advisory board and, as a result, 175,000 stock options fully expired.

i) On November 29, 2019, the Company issued 1,200,000 common shares pursuant to a warrant exercise at $0.10 per share for gross proceeds of $120,000.

j) On December 6, 2019, the Company entered into debt settlement agreements with ACM Management Inc., a Company owned by Alexander McAulay, the CFO, and Venture One Management Corp. The Company will issue 507,692 common shares (307,692 to ACM Management and 200,000 to Venture One Management) in the capital of the Company at a deemed price of $0.13 per share to settle debt of $66,000 ($40,000 to ACM Management and $26,000 to Venture One Management).

k) Effective on December 31, 2019, Alexander McAulay resigned as the Chief Financial Officer for the Company and has agreed to the cancellation of 325,000 stock options of the Company.

l) Effective on December 31, 2019, the Company appointed Brian Zasitko as the Chief Financial Officer of the Company.