



GREENSTAR  
BIOSCIENCES

**GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended November 30, 2019 and 2018**

(Expressed in Canadian dollars)

(Unaudited)

**Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three months ended November 30, 2019.**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Greenstar Biosciences Corp. for the interim period ended November 30, 2019, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company’s management.

The Company’s independent auditors, Manning Elliott LLP, have not performed a review of these interim financial statements

January 22, 2020

**GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars) - Unaudited

	Note	November 30, 2019	August 31, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 271,062	\$ 512,777
Trade and other receivables		306,951	401,590
Prepaid expenses		383,469	381,396
Promissory note receivable	4	707,774	696,227
<b>Total current assets</b>		<b>1,669,256</b>	<b>1,991,990</b>
Deposit	6	79,734	79,904
Intangible asset	5	3,930,713	3,992,239
Lease, net of amortization	6	416,053	457,178
Right of use asset, net of depreciation	3,7	464,434	-
Deferred acquisition cost	8	199,335	199,761
<b>Total assets</b>		<b>\$ 6,759,525</b>	<b>\$ 6,721,072</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Trade payables and other liabilities	13	\$ 431,604	\$ 527,558
Current lease liability	3,9	163,780	-
<b>Total current liabilities</b>		<b>595,384</b>	<b>527,558</b>
Lease liability	3,9	307,740	-
<b>Total liabilities</b>		<b>903,124</b>	<b>527,558</b>
<b>Equity</b>			
Share capital	10(c)	10,019,773	9,866,773
Reserves	10(h)	1,822,149	1,611,490
Accumulated other comprehensive income		77,443	94,941
Deficit		(6,062,964)	(5,379,690)
<b>Total equity</b>		<b>5,856,401</b>	<b>6,193,514</b>
<b>Total liabilities and equity</b>		<b>\$ 6,759,525</b>	<b>\$ 6,721,072</b>

Events after the reporting period (Note 14)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on January 22, 2020. They are signed on the Company's behalf by:

“Signed”

\_\_\_\_\_  
Rahim Rajwani, Director

“Signed”

\_\_\_\_\_  
Faizaan Lalani, Director

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

**GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended November 30, 2019 and 2018

(Expressed in Canadian dollars, except share numbers) - Unaudited

	Note	2019	2018
<b>Revenues</b>			
License royalties	5	\$ 65,446	\$ 96,147
Lease		111,478	108,808
		<b>176,924</b>	<b>204,955</b>
<b>Operating expenses</b>			
General and administrative		26,002	23,799
Insurance		41,389	-
Advertising		242,718	138,975
Rent		10,960	54,404
Professional fees	13	73,720	125,423
Consulting fees	13	45,007	117,160
Management fees	13	61,921	58,863
Interest expense	9	12,358	-
Amortization	5	52,743	50,531
Depreciation	6,7	84,666	39,520
Share-based compensation	10,13	210,659	363,745
		<b>862,143</b>	<b>972,420</b>
<b>Loss before other items</b>		<b>(685,219)</b>	<b>(767,465)</b>
<b>Other items</b>			
Foreign exchange loss		11,241	61,414
Other income	4	(13,186)	-
Change in fair value of derivative liability	10(e)	-	(271,202)
<b>Net loss</b>		<b>\$ (683,274)</b>	<b>\$ (557,677)</b>
<b>Other comprehensive income</b>			
Foreign currency translation adjustments		(17,498)	85,436
<b>Comprehensive loss</b>		<b>\$ (700,772)</b>	<b>\$ (472,241)</b>
<b>Net loss per share</b>			
Basic and diluted		\$ (0.01)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>			
Basic and diluted		68,556,287	43,003,177

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

**GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended November 30, 2019 and 2018

(Expressed in Canadian dollars) - Unaudited

	Note	2019	2018
<b>Operating activities</b>			
Net loss		\$ (683,274)	\$ (557,677)
Adjustments for non-cash items			
Amortization	5	52,743	50,531
Depreciation	6,7	84,666	39,520
Share-based compensation		210,659	363,745
Interest income	4	(13,186)	-
Change in fair value of derivative liability	10(e)	-	(271,202)
Unrealized foreign exchange loss		(5,266)	62,964
Changes in non-cash working capital items:			
Trade and other receivables		92,727	(40,088)
Prepaid expenses		(1,766)	(2,074)
Trade payables and other liabilities		(95,590)	202,943
<b>Net cash used in operating activities</b>		<b>(358,287)</b>	<b>(151,338)</b>
<b>Investing activities</b>			
Purchase of intangible assets	5	-	(263,229)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(263,229)</b>
<b>Financing activities</b>			
Common shares issued for cash – private placement	10(c)	-	125,000
Common shares issued for cash – exercise of warrants	10(c)	153,000	-
Repayment of lease liability	9	(37,669)	-
<b>Net cash provided by financing activities</b>		<b>115,331</b>	<b>125,000</b>
Effect of exchange rate changes on cash		1,241	(2,732)
Decrease in cash		(241,715)	(292,299)
Cash, beginning of period		512,777	2,486,669
<b>Cash, end of period</b>		<b>\$ 271,062</b>	<b>\$ 2,194,370</b>

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

**GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the three months ended November 30, 2019 and 2018

(Expressed in Canadian dollars, except share numbers) - Unaudited

	Notes	Number of shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income	Deficit	Total equity
<b>Balance, August 31, 2018</b>		56,256,598	\$ 7,322,026	\$ 17,518	\$ 803,410	\$ 419	\$ (4,625,259)	\$ 3,518,114
Shares issued – private placement	10(c)	2,500,000	125,000	-	-	-	-	125,000
Penalty shares issued	10(c)	635,850	222,548	-	-	-	-	222,548
Reallocation of warrants to derivative liability		-	(263,565)	-	-	-	-	(263,565)
Share-based payments	10	-	-	-	144,833	-	-	144,833
Comprehensive income (loss)		-	-	-	-	85,436	(557,677)	(472,241)
<b>Balance, November 30, 2018</b>		<b>59,392,448</b>	<b>\$ 7,406,009</b>	<b>\$ 17,518</b>	<b>\$ 948,243</b>	<b>\$ 85,855</b>	<b>\$ (5,182,936)</b>	<b>\$ 3,274,689</b>
<b>Balance, August 31, 2019</b>		67,844,199	\$ 9,866,773	\$ -	\$ 1,611,490	\$ 94,941	\$ (5,379,690)	\$ 6,193,514
Shares issued – exercise of warrants	10(c)	1,530,000	153,000	-	-	-	-	153,000
Share-based compensation	10	-	-	-	210,659	-	-	210,659
Comprehensive loss		-	-	-	-	(17,498)	(683,274)	(700,772)
<b>Balance, November 30, 2019</b>		<b>69,374,199</b>	<b>\$ 10,019,773</b>	<b>\$ -</b>	<b>\$ 1,822,149</b>	<b>\$ 77,443</b>	<b>\$ (6,062,964)</b>	<b>\$ 5,856,401</b>

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

**GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**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, B.C. V6E 2Y3.

On May 30, 2019, the Company completed a reverse takeover with Green Star Biosciences Inc. The transaction was accounted for as a reverse acquisition (“RTO”). On May 30, 2019, 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 and under the symbol “GTSIF” on the OTCQX.

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.

**Going concern**

During the three months ended November 30, 2019, the Company incurred a net loss of \$683,274 (2018 - \$557,677). As at November 30, 2019, the Company has an accumulated deficit of \$6,062,964 (August 31, 2019 - \$5,379,690). 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 unaudited condensed interim consolidated financial statements (“interim 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.

**GREENSTAR BIOSCIENCES CORP. (FORMERLY BETHPAGE CAPITAL CORP.)**  
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**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended August 31, 2019 and 2018 (“annual financial statements”).

These interim financial statements were authorized for issuance by the Board of Directors on January 22, 2020.

**(b) Basis of measurement**

The consolidated financial statements have been prepared in Canadian dollars 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. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

**(c) Functional and presentation currency**

These interim financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. See “Basis of Consolidation” for the functional currency of the Company’s subsidiaries. References to United States dollar are “USD”.

**(d) Basis of Consolidation**

All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. These interim financial statements incorporate the accounts of the Company and the following subsidiaries:

<b>Name of subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Functional Currency</b>
Green Star Biosciences Inc.	Canada	100%	USD
Green Star Washington LLC	United States	100%	USD
Green Star Biosciences Packing LLC	United States	100% <sup>(1)</sup>	USD
Capri PHGS, LLC	United States	50% <sup>(1)</sup>	USD

<sup>(1)</sup> Inactive and therefore has no impact on the Company’s interim financial statements

**(e) Reclassification of prior year amounts**

The Company has reclassified certain items to improve clarity.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in notes 2 and 3 to the annual financial statements with the exception of the following:



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*i. Leases*

Effective September 1, 2019, the Company adopted IFRS 16 Leases (IFRS 16) using the modified retrospective approach. The new standard requires a lessee to recognize a liability to make lease payments (the lease liabilities) and an asset to recognize the right to use the underlying asset during the lease term (the right-of-use assets) in the statement of financial position. Comparative information has not been restated and continues to be reported under IAS 17 Leases (IAS 17) and IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4).

The Company used the practical expedient not to reassess whether a contract is or contains a lease at September 1, 2019. Instead, the Company applied IFRS 16 only to contracts previously identified as leases under IAS 17 and IFRIC 4.

The Company also used the following practical expedients to account for leases at September 1, 2019:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Relied on the Company's assessment of whether leases are onerous immediately before September 1, 2019.
- Applied recognition exemptions for operating leases when the underlying asset was of low value or the lease term ends within 12 months. The payments associated with these leases are recognized as an expense in operating expenses.
- Excluded initial direct costs when measuring the right-of-use asset at September 1, 2019.
- Used hindsight to determine the lease term when the contract contained options to extend or terminate the lease.

These policies apply to contracts entered into or changed on or after September 1, 2019. A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration.

To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in operating expenses over the lease term.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's weighted-average incremental borrowing rate, calculated in accordance with IFRS 16, at September 1, 2019, of 10%. Associated right-of-use assets were measured at the amount equal to the lease liabilities.

The lease liabilities as at August 31, 2019 can be reconciled to the operating lease commitments as of September 1, 2019 as follows:

Operating lease commitments as at August 31, 2019	\$	589,375
Weighted average incremental borrowing rate as at September 1, 2019		10%
<b>Discounted operating lease commitments at September 1, 2019</b>	<b>\$</b>	<b>510,468</b>

ii. Critical judgements and estimates

The Company's management makes judgements in the process of applying the Company's accounting policies in the preparation of its interim financial statements. In addition, the preparation of the financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company's interim results are not necessarily indicative of its results for a full year. The critical judgements and estimates applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 2(d) to the annual consolidated financial statements for the years ended August 31, 2019 and 2018 with exception of the following:

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases as a result of adopting IFRS 16

Identifying whether a contract includes a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, does the Company obtain substantially all of the economic benefits and who has the right to direct the use of that asset.

Estimate of lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

**4. PROMISSORY NOTE RECEIVABLE**

On February 4, 2019, the Company loaned a non-related party \$707,774 (USD\$500,000). The loan 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 three months ended November 30, 2019, the Company recorded interest income of \$13,186 (USD\$9,973) (2018 - \$nil) included in other income related to this loan.

	<b>November 30, 2019</b>	August 31, 2019
Balance, beginning of period	\$ <b>696,227</b>	\$ -
Advance	-	665,870
Interest income	<b>13,186</b>	30,356
Unrealized foreign exchange (loss) gain	<b>(1,639)</b>	1
Balance, end of period	\$ <b>707,774</b>	\$ 696,227

**5. INTANGIBLE ASSET**

On May 17, 2018, the Company entered into an Intellectual Property Purchase Agreement (“IPPA”) with Cowlitz County Cannabis Cultivation, Inc. (“Cowlitz”) whereby the Company purchased the right to various brands and trademarks (“Licensed Products”). Further, the Company obtained the right to sell these Licensed Products at any time. Initial consideration was \$3,986,700 (USD\$3,000,000). On October 10, 2018, the Company amended the IPPA to include additional Licensed Products for additional consideration of \$265,780 (USD\$200,000).

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**5. INTANGIBLE ASSET (continued)**

	November 30, 2019	August 31, 2019
<b>Cost</b>		
Balance, beginning of period	\$ 4,261,570	\$ 3,885,708
Additions	-	263,229
Unrealized foreign exchange (loss) gain	(9,090)	112,633
<b>Balance, end of period</b>	<b>4,252,480</b>	<b>4,261,570</b>
<b>Accumulated depreciation</b>		
Balance, beginning of period	269,331	56,342
Depreciation	52,743	210,411
Unrealized foreign exchange (loss) gain	(307)	2,578
<b>Balance, end of period</b>	<b>321,767</b>	<b>269,331</b>
<b>Carrying amount</b>	<b>\$ 3,930,713</b>	<b>\$ 3,992,239</b>

On May 17, 2018, the Company entered into a License Agreement with Cowlitz which was subsequently amended on October 10, 2018 pursuant to the amendment to the IPPA. The License Agreement granted Cowlitz a perpetual, irrevocable, non-exclusive, non-assignable, non-sublicensable right and license to use, manufacture, have manufactured and sell the Licensed Products in Washington State. Pursuant to the terms of the License Agreement, Cowlitz will pay the Company a monthly license fees based on unit sales.

During the three months ended November 30, 2019, the Company recognized \$65,446 (2018 - \$96,147) in licensing royalties earned pursuant to the License Agreement.

**6. LEASE**

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 \$664,450 (USD\$500,000) to purchase the rights to the lease and paid an additional \$79,734 (USD\$60,000) 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.

	November 30, 2019	August 31, 2019
Balance, beginning of period	\$ 457,178	\$ 601,605
Depreciation	(39,947)	(160,628)
Unrealized foreign exchange (loss) gain	(1,178)	16,201
<b>Balance, end of period</b>	<b>\$ 416,053</b>	<b>\$ 457,178</b>

During the three months ended November 30, 2019, the Company recognized \$111,478 (2018 - \$108,808) in lease revenues earned pursuant to the Lease Purchase Agreement.

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**7. RIGHT OF USE ASSET**

	November 30, 2019	August 31, 2019
Balance, beginning of period	\$ -	\$ -
Adoption of IFRS 16	<b>510,468</b>	-
Depreciation	<b>(44,719)</b>	-
Unrealized foreign exchange loss	<b>(1,315)</b>	-
Balance, end of period	<b>\$ 464,434</b>	\$ -

**8. 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 \$199,335 (USD\$150,000) to Delta1.

**9. LEASE LIABILITY**

	November 30, 2019	August 31, 2019
Balance, beginning of period	\$ -	\$ -
Adoption of IFRS 16	<b>510,468</b>	-
Repayment of lease obligation	<b>(37,669)</b>	-
Interest expense	<b>12,358</b>	-
Unrealized foreign exchange gain	<b>(13,637)</b>	-
Balance, end of period	<b>471,520</b>	-
Less: Non-current portion	<b>307,740</b>	-
Current portion of lease liability	<b>\$ 163,780</b>	\$ -

**10. SHARE CAPITAL**

**(a) Authorized**

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

**(b) Escrow shares**

The Company has shares subject to trading restrictions and escrow which are released in tranches through 2020. As at November 30, 2019, 26,030,871 common shares were subject to these escrow restrictions (August 31, 2019 - 39,873,475).

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**10. SHARE CAPITAL (continued)**

**(c) Issued**

The Company has the following common share transactions during the three months ended November 30, 2019:

- On September 11, 2019, the Company issued 330,000 common shares upon the exercised of warrants at a price of \$0.10 per share for gross proceeds of \$33,000.
- On November 29, 2019, the Company issued 1,200,000 common shares upon the exercised of warrants at a price of \$0.10 per share for gross proceeds of \$120,000.

The Company has the following common share transactions 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 May 10, 2020.
- On November 30, 2018, 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, 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. The Company paid finders fees equal to \$19,857.
- 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.

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**10. SHARE CAPITAL (continued)**

- On March 31, 2019, pursuant to the terms of the Agency Agreement, the Company issued 317,925 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 for a period of 24 months.
- 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.

**(d) Share purchase warrants**

A summary of share purchase warrant activity is as follows:

	<b>Number of warrants</b>	<b>Weighted Average Exercise Price</b>
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
Exercised	(1,530,000)	\$ 0.10
<b>Balance, November 30, 2019</b>	<b>38,672,064</b>	<b>\$ 0.21</b>

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**10. SHARE CAPITAL (continued)**

The share purchase warrants outstanding and exercisable at November 30, 2019 and August 31, 2019 have the following expiry date and exercise prices:

<b>Expiry Date</b>	<b>Exercise price</b>	<b>November 30, 2019</b>	<b>August 31, 2019</b>
May 10, 2020	\$ 0.10	<b>31,036,994</b>	32,566,994
May 18, 2020	\$ 0.20	<b>700,000</b>	700,000
May 23, 2020	\$ 0.35	<b>142,857</b>	142,857
June 29, 2020	\$ 0.75	<b>3,242,101</b>	3,242,101
July 23, 2020	\$ 0.75	<b>1,483,795</b>	1,483,795
July 24, 2020	\$ 0.35	<b>7,000</b>	7,000
July 31, 2020	\$ 0.75	<b>572,999</b>	572,999
August 2, 2020	\$ 0.75	<b>218,450</b>	218,450
January 1, 2021	\$ 0.35	<b>66,419</b>	66,419
January 4, 2021	\$ 0.75	<b>488,706</b>	488,706
March 25, 2021	\$ 0.75	<b>192,714</b>	192,714
May 15, 2021	\$ 0.75	<b>164,474</b>	164,474
May 22, 2021	\$ 0.75	<b>355,555</b>	355,555
<b>Total</b>		<b>38,672,064</b>	40,202,064
<b>Weighted average remaining contractual life of warrants outstanding at the end of the period</b>		<b>0.6 years</b>	

**(e) 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. Pursuant to the completion of the RTO, the Performance Warrants vested on May 30, 2018.

Prior to the RTO, the Company’s function currency was the USD. As the Performance Warrants are exercisable in the Canadian dollar, the Performance Warrants were accounted for as a derivative liability. Pursuant to the RTO, the Company changed its functional currency from USD to Canadian dollars (consistent with the exercise currency) and as such, the Performance Warrants were no longer considered derivative liabilities. During the three months ended November 30, 2019, the Company recognized \$nil (2018 - \$271,202) with respect to fair value changes on the derivative liability.

The following table summarizes performance warrants outstanding as at November 30, 2019:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of performance warrants</b>	<b>Number of exercisable performance warrants</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining years</b>
May 18, 2018	May 30, 2022	4,655,992	4,655,992	\$ 0.35	2.50
<b>Total</b>		<b>4,655,922</b>	<b>4,655,992</b>	<b>\$ 0.35</b>	<b>2.50</b>



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**10. SHARE CAPITAL (continued)**

The Company recognized share-based compensation expense of \$41,001 during the three months ended November 30, 2019 (2018 - \$41,001) with respect to the Performance Warrants.

**(f) Share Purchase Options**

A summary of share purchase options is as follows:

	Number of share purchase options	Weighted Average Exercise Price
Balance, August 31, 2018	4,000,000	\$ 0.20
Granted	4,988,508	\$ 0.23
Cancelled	(3,025,008)	\$ 0.23
Balance, August 31, 2019	5,963,500	\$ 0.21
Granted	800,000	\$ 0.16
Cancelled	(1,186,000)	\$ 0.34
<b>Balance, November 30, 2019</b>	<b>5,575,000</b>	<b>\$ 0.18</b>

As at November 30, 2019 there were 3,687,500 (August 31, 2019 - 3,621,125) share purchase options vested and exercisable at an average exercise price of \$0.18 (August 31, 2019 - \$0.23).

The following table summarizes the share purchase options outstanding as at November 30, 2019 and August 31, 2019:

Expiry Date	Exercise price	November 30, 2019	August 31, 2019
February 22, 2020	\$0.30	112,500	112,500
August 30, 2021	\$0.12	50,000	50,000
September 6, 2021	\$0.20	150,000	-
January 1, 2024	\$0.35	-	175,000
February 1, 2024	\$0.35	-	501,000
June 12, 2024	\$0.21	250,000	250,000
June 28, 2024	\$0.25	550,000	550,000
July 29, 2024	\$0.20	500,000	500,000
August 7, 2024	\$0.17	600,000	600,000
August 30, 2024	\$0.12	1,225,000	1,225,000
September 6, 2024	\$0.20	400,000	-
November 20, 2024	\$0.15	250,000	-
May 30, 2028	\$0.20	1,390,000	1,500,000
March 30, 2029	\$0.35	100,000	500,000
<b>Total</b>		<b>5,575,000</b>	<b>5,963,500</b>
<b>Weighted average remaining contractual life of warrants outstanding at the end of the period</b>		<b>5.5 years</b>	

The Company recognized share-based compensation expense of \$169,658 during the three months ended November 30, 2019 (2018 - \$322,744) with respect to the share purchase options.

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**10. SHARE CAPITAL (continued)**

The Company granted 800,000 stock options during the three months ended November 30, 2019 (2018 - 4,988,508). The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	<b>2019</b>	2018
Risk-free rate	1.42%	2.14%
Expected life of options	4.44 years	1.59 years
Annualized volatility	150%	150%
Dividend rate	0%	0%

**(g) Agent options**

At November 30, 2019, the following agent options were outstanding, entitling the holders thereof the right to purchase one common share and one half of one share purchase warrant exercisable at \$0.75 per warrant for each option held as follows:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of agent options</b>	<b>Number of exercisable agent options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining years</b>
June 29, 2018	January 1, 2021	378,245	378,245	\$ 0.35	1.26
July 31, 2018	January 1, 2021	66,850	66,850	\$ 0.35	1.26
<b>Total</b>		<b>445,095</b>	<b>445,095</b>	<b>\$ 0.35</b>	<b>1.26</b>

**(h) Reserves**

The following is a summary of changes in reserves:

	<b>Share purchase options</b>	<b>Performance Warrants</b>	<b>Contributed surplus</b>	<b>Total</b>
Balance, August 31, 2018	\$ 753,499	\$ 49,911	\$ -	\$ 803,410
Share-based payments	621,156	-	-	621,156
Performance Warrants	-	158,764	-	158,764
Stock options deemed to be issued in RTO	28,160	-	-	28,160
Reclassified on cancellation of stock options	(555,439)	-	555,439	-
Balance, August 31, 2019	847,376	208,675	555,439	1,611,490
Share-based payments	169,658	-	-	169,658
Performance Warrants	-	41,001	-	41,001
Reclassified on cancellation of stock options	(115,007)	-	115,007	-
<b>Balance, November 30, 2019</b>	<b>\$ 902,027</b>	<b>\$ 249,676</b>	<b>\$ 670,446</b>	<b>\$ 1,822,149</b>

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**11. FINANCIAL RISK MANAGEMENT**

**Fair value of financial assets and liabilities**

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and
- Level 3 - Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of trade and other receivables, prepaid expenses, promissory note receivable, and trade payables and other liabilities approximate their respective fair values due to the short-term nature of these instruments.

**12. 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 shareholders equity, cash, trade and other receivables, trade and other liabilities, which are summarized below:

	<b>November 30, 2019</b>	August 31, 2019
Trade and other liabilities	\$ 431,604	\$ 527,558
Less:		
Cash	(271,062)	(512,777)
Trade and other receivables	(306,951)	(401,590)
Net capital	(146,409)	(386,809)
Shareholders equity	5,856,401	6,193,514
Net capital and shareholders equity	\$ 5,709,992	\$ 5,806,705

The Company manages its capital structure and adjusts 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 November 30, 2019.

**13. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

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**13. RELATED PARTY TRANSACTIONS (continued)**

Key management personnel compensation for the three months ended November 30, 2019 and 2018 were as follows:

	<b>2019</b>		2018	
Management fees	\$	<b>59,472</b>	\$	58,865
Consulting fees		<b>16,500</b>		-
Share-based payments		-		49,686
	\$	<b>75,972</b>	\$	108,551

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

Other related party transactions for the three months ended November 30, 2019 and 2018 were as follows:

	<b>2019</b>		2018	
Professional fees	\$	<b>36,523</b>	\$	62,687
	\$	<b>36,523</b>	\$	62,687

During the three months ended November 30, 2019, the Company incurred \$36,523 (2018 - \$nil) in accounting costs to a firm owned by the former Chief Financial Officer. The accounting costs are included in professional fees in the consolidated statement of comprehensive loss.

During the three months ended November 30, 2019, the Company incurred \$nil (2018 - \$62,687) in legal costs to a law firm in which a former director is a partner. The legal costs are included in professional fees in the consolidated statement of comprehensive loss.

Due to related parties as at November 30, 2019 and August 31, 2019 were as follows:

	<b>November 30, 2019</b>		August 31, 2019	
Trade payables and other liabilities	\$	<b>170,605</b>	\$	196,442
	\$	<b>170,605</b>	\$	196,442

As at November 30, 2019, included in trade payables and other liabilities is \$62,477 (August 31, 2019 - \$62,301) payable to a Company owned by the Chief Executive Officer of the Company for management fees. The amount is unsecured, non-interest bearing and due on demand.

As at November 30, 2019, included in trade payables and other liabilities is \$68,708 (August 31, 2019 - \$63,322) payable to a company owned by the former Chief Financial Officer for professional fees. The amount is unsecured, non-interest bearing and due on demand.

As at November 30, 2019, included in trade payables and other liabilities is \$14,345 (August 31, 2019 - \$29,025) payable to a consulting firm owned by the former Chief Operations Officer for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

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**13. RELATED PARTY TRANSACTIONS (continued)**

As at November 30, 2019, included in trade payables and other liabilities is \$14,437 (August 31, 2019 - \$20,794) payable to a company owned by the former President for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at November 30, 2019, included in trade payables and other liabilities is \$10,638 (August 31, 2019 - \$21,000) payable to a director of the Company for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

**14. EVENTS AFTER THE REPORTING PERIOD**

On December 6, 2019, the Company entered into debt settlement agreements whereby the Company will issue 507,692 common shares at a fair value of \$0.13 per common share to settle debt of \$66,000.

On December 31, 2019, pursuant to the resignation of the Company's former Chief Financial Officer, the Company has cancelled 325,000 share purchase options of the Company.

On January 8, 2020, the Company entered into a share cancellation and return to treasury agreement ("Cancellation Agreement") whereby the Company will cancel and return 4,568,524 common shares to treasury. In addition, pursuant to the Cancellation Agreement, the Company cancelled 5,835,614 share purchase warrants with an expiry date of May 10, 2020 and an exercise price of \$0.10 per share purchase warrant.

On January 16, 2020, the Company issued 1,900,000 share purchase options to certain officers, directors and consultants of the Company. The share purchase options are exercisable at a price of \$0.14 per common share and expire on January 16, 2025. The options are subject to various vesting provisions where 1,650,000 of the options granted vest immediately on the grant date, and 250,000 options vest as to 50% immediately and 50% vest on the first anniversary of the grant date.