



Consolidated Financial Statements

For the Years Ended November 30, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of The Yield Growth Corp.

We have audited the accompanying consolidated financial statements of The Yield Growth Corp. (the "Company") which comprise the consolidated statements of financial position as at November 30, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

March 21, 2019

THE YIELD GROWTH CORP.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	November 30, 2018	November 30, 2017
	\$	\$
ASSETS		
Current assets		
Cash	36,211	1,425,380
Marketable securities (Note 3)	1,811,433	650,550
Amounts receivable (Note 9)	210,529	68,930
Loan receivable	–	15,000
Inventory (Note 4)	50,783	–
Prepaid expenses and deposits (Note 5)	454,146	617,500
Total current assets	2,563,102	2,777,360
Non-current assets		
Equipment (Note 6)	49,243	5,353
Total assets	2,612,345	2,782,713
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	364,140	28,079
Due to related parties (Note 9)	59,554	42,907
Deferred revenue (Notes 8 and 9)	349,858	–
Total current liabilities	773,552	70,986
Non-current liabilities		
Deferred revenue (Note 8)	509,589	–
Total liabilities	1,283,141	70,986
SHAREHOLDERS' EQUITY		
Share capital	5,449,968	3,207,920
Special warrant reserve	559,721	–
Equity reserves	5,420,973	104,926
Shares issuable	–	40,000
Accumulated other comprehensive income	836,728	589,030
Deficit	(10,938,186)	(1,230,149)
Total shareholders' equity	1,329,204	2,711,727
Total liabilities and shareholders' equity	2,612,345	2,782,713

Nature of operations and continuance of business (Note 1)

Commitments (Note 16)

Subsequent events (Note 18)

Approved and authorized for issuance on behalf of the Board of Directors on March 21, 2019:

/s/ "Penny Green"

Penny Green, Director

/s/ "Thomas Bond"

Thomas Bond, Director

(The accompanying notes are an integral part of these consolidated financial statements)

THE YIELD GROWTH CORP.Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended November 30,	
	2018	2017
	\$	\$
Revenue		
Consulting (Note 9)	1,098,364	—
Licensing (Note 8)	1,957,078	—
Total revenue	3,055,442	—
Expenses		
Advertising and promotion (Note 9)	678,266	86,850
Consulting fees (Note 9)	2,054,099	176,919
Depreciation (Note 6)	20,985	239
Distribution fees (Note 16)	50,000	—
Information systems	767,447	—
Licensing fees	462,500	646,000
Office and miscellaneous	254,656	19,230
Product samples	5,139	13,868
Professional fees	342,271	22,876
Rent (Note 9)	97,502	10,000
Research and development (Note 9)	53,770	127,055
Share-based compensation (Notes 9 and 12)	3,663,470	89,908
Travel	133,688	30,652
Wages (Note 9)	808,659	6,088
Total expenses	(9,392,452)	(1,229,685)
Net loss before other items	(6,337,010)	(1,229,685)
Other items		
Gain on sale of short-term investments (Note 3)	142,060	—
Gain on write off of accounts payable	20,918	—
Unrealized gain on marketable securities at fair value through profit or loss (Note 3)	296,333	—
Impairment of loan receivable	(15,000)	—
Loss from investment in associate (Note 7)	(2,367,766)	—
Loss from termination and amendment of licensing agreements (Notes 5 and 8)	(1,447,572)	—
Net loss for the year	(9,708,037)	(1,229,685)
Other comprehensive income (loss)		
Realized loss on short-term investments (Note 3)	(589,030)	—
Unrealized (loss) gain on short-term investments (Note 3)	836,728	589,030
Comprehensive loss for the year	(9,460,339)	(640,655)
Loss per share, basic and diluted	(0.13)	(0.12)
Weighted average shares outstanding	77,489,000	10,051,000

(The accompanying notes are an integral part of these consolidated financial statements)

THE YIELD GROWTH CORP.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Special warrant reserve	Equity reserves	Shares issuable	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount						
Balance, November 30, 2016	200	\$ 1	\$ –	\$ –	\$ –	\$ –	\$ (464)	\$ (463)
Shares repurchased	(200)	(1)	–	–	–	–	–	(1)
Shares issued for cash	45,550,840	2,257,646	–	–	40,000	–	–	2,297,646
Shares issued for debt settlement	7,850,000	22,000	–	–	–	–	–	22,000
Shares issued for consulting services	1,995,000	199,500	–	–	–	–	–	199,500
Shares issued for marketable securities	1,260,800	31,520	–	–	–	–	–	31,520
Shares issued for license agreement	4,900,000	612,500	–	–	–	–	–	612,500
Shares and warrants issued for licensing fees	4,000,000	200,000	–	4,772	–	–	–	204,772
Share issuance costs	200,000	(115,246)	–	10,246	–	–	–	(105,000)
Fair value of stock options granted	–	–	–	89,908	–	–	–	89,908
Unrealized gain on marketable securities	–	–	–	–	–	589,030	–	589,030
Net loss for the year	–	–	–	–	–	–	(1,229,685)	(1,229,685)
Balance, November 30, 2017	65,756,640	3,207,920	–	104,926	40,000	589,030	(1,230,149)	2,711,727
Units issued for cash	4,219,494	883,300	–	–	(40,000)	–	–	843,300
Share issuance costs	–	(129,381)	–	11,902	–	–	–	(117,479)
Shares issued on exercise of stock options	10,785,000	1,567,074	–	(1,114,699)	–	–	–	452,375
Shares issued on exercise of warrants	1,580,400	197,550	–	–	–	–	–	197,550
Shares issued for compensation	2,000,000	300,000	–	–	–	–	–	300,000
Shares returned pursuant to termination of licensing agreement	(11,900,000)	(576,495)	–	–	–	–	–	(576,495)
Special warrant units issued for cash	–	–	578,000	–	–	–	–	578,000
Special warrants issued to settle accounts payable	–	–	28,350	–	–	–	–	28,350
Special warrant issuance costs	–	–	(46,629)	19,479	–	–	–	(27,150)
Fair value of stock options granted	–	–	–	3,663,470	–	–	–	3,663,470
Fair value of warrants issued pursuant to amendment of licensing agreement	–	–	–	2,735,895	–	–	–	2,735,895
Realized loss on marketable securities	–	–	–	–	–	(589,030)	–	(589,030)
Unrealized gain on marketable securities	–	–	–	–	–	836,728	–	836,728
Net loss for the year	–	–	–	–	–	–	(9,708,037)	(9,708,037)
Balance, November 30, 2018	72,441,534	5,449,968	559,721	5,420,973	–	836,728	(10,938,186)	1,329,204

(The accompanying notes are an integral part of these consolidated financial statements)

THE YIELD GROWTH CORP.Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended November 30, 2018 \$	Year ended November 30, 2017 \$
Operating activities		
Net loss	(9,708,037)	(1,229,685)
Items not involving cash:		
Amortization of license	452,500	–
Depreciation	20,985	239
Gain on sale of marketable securities	(142,060)	–
Gain on short-term investments at fair value through profit or loss	(296,333)	–
Gain on write-off of accounts payable	(20,918)	–
Impairment of loan receivable	15,000	–
Loss from investment in associate	2,367,766	–
Loss from termination and amendment of licensing agreements	1,447,572	–
Share-based compensation	3,663,470	89,908
Shares issued for consulting services	300,000	34,500
Shares and warrants received for distribution rights	(2,800,000)	–
Shares and warrants issued for licensing fees	–	204,772
Changes in non-cash operating working capital:		
Amounts receivable	(118,591)	(68,930)
Accounts payable and accrued liabilities	385,329	30,116
Deferred revenue	859,447	–
Due to related parties	(178,088)	62,406
Inventory	(91,635)	–
Prepaid expenses and deposits	(248,294)	160,000
Net cash used in operating activities	(4,091,887)	(716,674)
Investing activities		
Issuance of loan receivable	–	(15,000)
Purchase of equipment	(64,875)	(5,592)
Purchase of marketable securities	(500,000)	(30,000)
Proceeds from sale of short-term investments	1,090,997	–
Termination fee received on termination of licensing agreements	250,000	–
Net cash provided by (used in) investing activities	776,122	(50,592)
Financing activities		
Proceeds from issuance of common shares	1,493,225	2,297,646
Share issuance costs	(117,479)	(105,000)
Proceeds from issuance of special warrants	578,000	–
Special warrant issuance costs	(27,150)	–
Net cash provided by financing activities	1,926,596	2,192,646
Change in cash	(1,389,169)	1,425,380
Cash, beginning of year	1,425,380	–
Cash, end of year	36,211	1,425,380

Supplemental disclosures (Note 14)

(The accompanying notes are an integral part of these consolidated financial statements)

THE YIELD GROWTH CORP.

Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

1. Nature of Operations and Continuance of Business

The Yield Growth Corp. (formerly Cannapay Financial Inc.) (“Yield Growth” or the “Company”) was incorporated under the laws of the province of British Columbia, Canada, on November 28, 2014. On May 15, 2017, the Company changed its name from 1020439 B.C. Ltd. to Cannapay Financial Inc. On April 3, 2018, the Company changed its name to The Yield Growth Corp. Yield Growth is a cannabis asset growth company focused on the license, sale, and distribution of products in the cannabis industry. The Company develops products and technology to distribute license by territory, including cosmetic and therapeutic products made from essential oils, all of which have been designed to be infused with Cannabidiol (CBD) or Tetrahydrocannabinol (THC). The Company has two wholly owned subsidiaries: Urban Juve Provisions Inc. (formerly Juve Wellness Inc.) (“Urban Juve”) and Thrive Activations Inc. (formerly Superdope Solutions Inc.) (“Thrive”). Effective June 4, 2018, the Company completed a 2-for-1 forward split of its common stock. All share and per share amounts included in these consolidated financial statements have been retroactively restated for the forward stock split.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company has incurred a net loss of \$9,708,037 during the year ended November 30, 2018 and has incurred an accumulated deficit of \$10,938,186 as at November 30, 2018. The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. These adjustments could be material.

2. Significant Accounting Policies

(a) Statement of Compliance

These 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”) and the interpretations of the International Financial Reporting Interpretations Committee.

(b) Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Urban Juve, a company incorporated on June 20, 2017 in the province of British Columbia, and Thrive, a company incorporated on June 29, 2017 in the province of British Columbia. All inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

In the opinion of the Company’s management, all adjustments considered necessary for a fair presentation have been included.

THE YIELD GROWTH CORP.

Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

(c) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the collectability of amounts receivable and loan receivable, the impairment of inventory, the useful life and carrying value of equipment, impairment of marketable securities, fair value of share-based compensation, and measurement of unrecognized deferred income tax assets.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements include the factors that are used in determining the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to, 12 months from the year end of the reporting period.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Marketable Securities

Marketable securities consist of a portfolio of investments and is comprised of common shares and warrants of a publicly-traded company and common shares of private companies. The fair value of common shares and warrants have been determined by reference to public price quotations in an active market. The investments in common shares are classified as available-for-sale and measured at fair value with unrealized gains and losses recorded as other comprehensive income until realized through disposal or impairment. The investments in warrants are classified as held for trading with unrealized gains and losses recorded in the consolidated statement of operations.

(f) Equipment

Equipment consists of computer equipment, furniture and telephone equipment, and is recorded at cost. The Company depreciates the cost of equipment over the following useful lives:

Computer equipment – 2 years
Furniture – 3 years
Telephone equipment – 5 years

(g) Foreign Currency Translation

The Company's functional currency and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at a monthly average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

THE YIELD GROWTH CORP.

Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(h) Revenue

Revenue is recognized in accordance with IAS 18, Revenue, and is derived from multiple sources:

- i) Consulting revenue derived from consulting services provided to third and related parties relating to finance, accounting and strategic management. The fees are outlined in an agreement and are recognized when the services have been performed.
- ii) Licensing revenue derived from licensing and distribution fees to companies for the right to manufacture and distribute the Company's proprietary products. The fees are outlined in an agreement and are recognized when the services have been performed.

(i) Income (Loss) Per Share

Basic Income (loss) per common share is computed by dividing their respective net income (loss) by the weighted average number of common shares outstanding during the period. The computation of diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of convertible securities is reflected in the diluted income per share by application of the "if converted" method. The dilutive effect of outstanding incentive stock options and their equivalents is reflected in the diluted income per share by application of the treasury stock method. As at November 30, 2018, there were 36,855,194 (2017 – 29,493,320) potentially dilutive shares outstanding.

(j) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations.

(k) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

THE YIELD GROWTH CORP.

Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(l) Financial Instruments

(i) Non-derivative financial assets

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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The Company's cash and held for trading warrants, included in marketable securities, are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company's investment in common shares, included in marketable securities, are classified as available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable and loan receivable.

THE YIELD GROWTH CORP.

Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations 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. In respect of available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

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

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and amounts due to related parties.

THE YIELD GROWTH CORP.

Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(m) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(n) Reclassifications

Certain figures presented for comparative purposes have been reclassified to conform to the presentation adopted in the current period.

(o) Accounting Standards Issued but Not Yet Effective

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for fiscal years beginning on or after January 1, 2018, or later years.

New standard IFRS 9, "*Financial Instruments*"

New standard IFRS 15, "*Revenue from Contracts with Customers*"

New standard IFRS 16, "*Leases*"

The Company has not early adopted these revised standards and does not believe the adoption of these standards will have a material impact on the Company's consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

THE YIELD GROWTH CORP.

Notes to the Consolidated Financial Statements
For the years ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

3. Marketable Securities

During the year ended November 30, 2017, the Company purchased 300,000 units of Active Pay Distribution Inc. ("Active Pay"), a private company, at \$0.10 per unit for \$30,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 per share for a period of one year.

During the year ended November 30, 2017, the Company purchased 197,000 common shares of Glance Technologies Inc. ("Glance"), a publicly traded company and a significant shareholder of the Company, at \$0.16 per share for \$31,520. The fair value of common shares held was determined by reference to public price quotations in an active market. The Company sold all of the shares during the year ended November 30, 2018, for proceeds of \$102,932 and realized a gain of \$71,412.

On June 11, 2018, the Company received 2,500,000 units of CROP Infrastructure Corp. ("CROP") pursuant to a License and Distribution Agreement (Note 8). Each unit consisted of one common share and one-half of one share purchase warrant. Each share purchase warrant was exercisable into one common share at an exercise price of \$0.55 per share for a period of eighteen months. The fair value of the units was allocated between the shares and warrants based on their relative fair values. On November 2, 2018, the Company exercised 1,250,000 share purchase warrants pursuant to a warrant incentive program undertaken by CROP. In connection with the program, the Company exercised its warrants at a reduced exercise price of \$0.40 per share and received an additional 1,250,000 share purchase warrants, which are exercisable at \$0.50 per share until November 2, 2020. The fair value of common shares held has been determined by reference to public price quotations in an active market. The fair value of share purchase warrants held has been determined using the Black-Scholes valuation method.

On October 30, 2018, the Company entered into a Termination and Release Agreement with Loop Insights Inc. ("Loop") (Note 8), whereby its investment was reduced from 11,900,000 common shares to 1,500,000 common shares of Loop. As a result of the reduced share ownership, the investment in Loop was no longer considered an associate and was reclassified to marketable securities. Pursuant to IAS 39, "Financial Instruments: Recognition and Measurement", the remaining 1,500,000 common shares were recognized at their fair value of \$65,789 on the date that joint control was lost.

	November 30, 2016 fair value \$	Additions \$	Unrealized gain \$	November 30, 2017 fair value \$
Glance	–	31,520	589,030	620,550
Active Pay	–	30,000	–	30,000
	–	61,520	589,030	650,550

	November 30, 2017 fair value \$	Additions \$	Proceeds from sale \$	Realized gain on sale \$	Transfer of cost on exercise of warrants \$	Unrealized gain (loss) \$	November 30, 2018 fair value \$
Glance	620,550	–	(102,932)	71,412	–	(589,030)	–
Active Pay	30,000	–	–	–	–	–	30,000
CROP–Shares	–	1,253,967	(988,065)	70,648	246,033	(222,483)	360,100
CROP–Warrants	–	246,033	–	–	(246,033)	296,333	296,333
Loop Insights Inc.	–	65,789	–	–	–	1,059,211	1,125,000
	650,550	1,565,789	(1,090,997)	142,060	–	544,031	1,811,433

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4. Inventory

	November 30, 2018	November 30, 2017
	\$	\$
Packaging	38,034	—
Finished goods	12,749	—
	50,783	—

5. Prepaid Expenses and Deposits

	November 30, 2018	November 30, 2017
	\$	\$
Prepaid services	64,312	165,000
Prepaid license fees	—	452,000
Deposits	389,834	—
	454,146	617,000

On May 29, 2017, as amended on May 31, 2017, the Company entered into a license agreement with Glance, whereby the Company was granted a non-exclusive, worldwide license to white label Glance's mobile payment processing platform and anti-fraud technology for business-to-business and business-to-consumer mobile payments in the medicinal marijuana industry. The agreement has an initial term of one year, with renewable periods of \$10,000 per year for up to fifty additional years. As consideration for the license, the Company paid an initial fee of \$100,000 for design work, and a \$912,500 license fee with \$300,000 payable in cash (paid) and \$612,500 payable through issuance of 4,900,000 common shares of the Company (issued). As part of the license agreement, Glance will also receive a 50% royalty on revenue generated from all sublicenses. Glance also purchased 16,000,000 common shares of the Company for proceeds of \$400,000 pursuant to the license agreement. On April 24, 2018, the Company paid the annual renewal fee of \$10,000 to extend the agreement to May 31, 2019.

On October 31, 2018, the Company entered into an amended license agreement with Glance, whereby the scope of the intellectual property licensed was reduced and the obligation of Glance to provide any services was eliminated. Pursuant to the agreement, Glance granted the Company a limited, non-exclusive license to use the licensed patents discussed above, without the right to sublicense. The agreement will automatically terminate on May 29, 2021. In consideration for the amendment, Glance agreed to surrender 11,900,000 common shares of the Company for cancellation and the Company agreed to issue 6,000,000 warrants to Glance. The warrants are exercisable at \$0.50 per share, equivalent to the price per common share of the Company's initial public offering, and are exercisable for a period of five years from December 14, 2018, the date of the initial public offering. The 11,900,000 shares of the Company had an adjusted cost base of \$576,495 and the warrants had an estimated fair value of \$2,735,895, resulting in a loss on amendment of the licensing agreement of \$2,159,400.

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6. Equipment

	Computer equipment \$	Furniture \$	Telephone equipment \$	Total \$
Cost:				
Balance, November 30, 2016	–	–	–	–
Additions	5,592	–	–	5,592
Balance, November 30, 2017	5,592	–	–	5,592
Additions	59,905	2,592	2,378	64,875
Balance, November 30, 2018	65,497	2,592	2,378	70,467
Accumulated depreciation:				
Balance, November 30, 2016	–	–	–	–
Additions	239	–	–	239
Balance, November 30, 2017	239	–	–	239
Additions	20,058	648	279	20,985
Balance, November 30, 2018	20,297	648	279	21,224
Carrying amounts:				
As at November 30, 2017	5,353	–	–	5,353
As at November 30, 2018	45,200	1,944	2,099	49,243

7. Investment in Associate

On February 9, 2018, the Company received 11,200,000 common shares of Loop Insights Inc., which comprised approximately 35.7% of Loop's issued and outstanding common shares. The Company accounted for its investment in Loop in accordance with IAS 28, "Investments in associates and joint ventures" and determined that the Company held a significant influence in Loop and has recorded its investment under the equity method (Note 8).

On October 30, 2018, the Company entered into a Termination and Release Agreement with Loop Insights Inc. ("Loop") (Note 8), whereby its investment was reduced from 11,200,000 common shares to 1,500,000 common shares of Loop. As a result of the reduced share ownership, the investment in Loop was no longer considered an associate and was reclassified to marketable securities.

	Ownership interest	\$
Carrying cost at date of acquisition, February 9, 2018	35.7%	2,800,000
Equity losses in Loop	-	(2,504,662)
Dilution from investment in Loop	(8.3%)	136,896
Return of 4,000,000 common shares upon termination of licensing agreement	(9.8%)	–
Return of 5,700,000 common shares upon termination of distribution agreement, in exchange for \$250,000 fee	(14.0)	(366,445)
Reclassification to marketable securities upon loss of joint control	(3.6%)	(65,789)
Net carrying value, November 30, 2018	–	–

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8. License and Distribution Agreements

- (a) On February 9, 2018, the Company, its wholly-owned subsidiary, Urban Juve, and Fobisuite Technologies Inc. ("Fobisuite"), a non-related third party, entered into a licensing and distribution agreement with Loop Insights Inc. (formerly Cannabis Big Data Holdings Inc.) ("Loop"), a company incorporated in BC, whereby the Company will sublicense the licensed technology relating to the license agreement with Glance to Loop for an initial term of one year and renewable for up to one hundred years at a renewal fee of \$10,000 per year. As consideration for the sublicense, the Company received 8,000,000 common shares of Loop with a fair value of \$2,000,000, of which 50%, or 4,000,000 common shares were transferred to Glance pursuant to the royalty provisions of the license agreement (Note 5).

The licensed technology had not been transferred to Loop and the license fee of \$2,000,000 was initially recognized as deferred revenue on the consolidated statement of financial position. In addition, \$1,000,000 of the license fee was payable to Glance as a royalty per the license agreement and was initially recognized as a prepaid license and royalty fee on the consolidated statement of financial position.

In addition, Urban Juve granted Loop the non-exclusive right (the "Right") to distribute products deriving from certain ayurvedic and plant-based ingredients recipes to cannabis dispensaries in North America. As consideration for the Right, the Company received 7,200,000 common shares of Loop with a fair value of \$1,800,000 which was considered fully earned upon granting the Right. Loop was to provide Urban Juve with a \$200,000 advance order for products, payable upon delivery of products by the Company.

On October 30, 2018, the Company entered into a Termination and Release Agreement with Loop and Fobisuite, whereby the licensing and distribution agreement and the Right were terminated. Pursuant to the termination agreement, the Company agreed to return 4,000,000 common shares of Loop pursuant to the licensing and distribution agreement, and 5,700,000 common shares of Loop pursuant to the acquisition of the Right. As a result, the Company retained 1,500,000 common shares of Loop. In addition, the Company agreed to forgive certain amounts receivable from Loop and Fobisuite, and the Company received a termination fee of \$250,000 from Loop in consideration for the return of the 5,700,000 common shares upon termination of the Right. Although the Right was terminated pursuant to the Termination and Release Agreement, the initial consideration of 7,200,000 common shares of Loop, with a fair value of \$1,800,000, received was considered fully earned upon granting the Right, as the Company had no further obligations under the original agreement. As a result, the revenue related to the Right was no offset against the net gain on termination.

The following is a summary of the consideration received and transferred upon termination:

	\$
Termination fee received from Loop	250,000
Derecognition of deferred revenue	2,000,000
Derecognition of prepaid royalty paid to Glance	(1,000,000)
Fair value of shares returned to Loop	(366,445)
Forgiveness of amounts receivable – Loop	(94,735)
Forgiveness of amount receivable – Fobisuite	(76,992)
Net gain on termination	711,828

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8. License and Distribution Agreements (continued)

- (b) On June 11, 2018, the Company entered into a license and distribution agreement with CROP Infrastructure Corp. ("CROP"), whereby the Company granted an exclusive right to sell certain proprietary wellness products in Italy, and a license to use certain related trademarks and other intellectual property owned by the Company, for a term of 3 years. In consideration for the license and distribution rights, CROP paid an initial fee of \$1,000,000 through the issuance of 2,500,000 units, with each unit consisting of one common share of CROP and one-half of one share purchase warrant. Each share purchase warrant is exercisable into one common share of CROP at an exercise price of \$0.55 per share for a period of eighteen months. The agreement may be renewed for additional 1-year periods for a renewal fee of \$50,000 per year, which fee shall be waived if certain distribution targets are met. The initial fee of \$1,000,000 will be recognized as revenue over the 3-year term of the agreement, and as of November 30, 2018, \$842,922 of the initial fee was included in deferred revenue which includes \$509,589 recorded as non-current deferred revenues.

9. Related Party Transactions

- (a) During the year ended November 30, 2018, the Company incurred consulting fees of \$60,581 (2017 - \$30,000) and rent expense of \$4,500 (2017 - \$10,000) to the President and Chief Executive Officer ("CEO") of the Company. The Company also paid a compensation bonus of \$300,000, issued 2,000,000 common shares with a fair value of \$300,000, and incurred share-based compensation of \$924,126 (2017 - \$40,881) to the President and CEO of the Company. As at November 30, 2018, the Company owed \$5,424 (2017 - \$2,881) to the President and CEO of the Company, which is unsecured, non-interest bearing, and due on demand.
- (b) During the year ended November 30, 2018, the Company incurred consulting fees of \$6,000 (2017 - \$19,800), advertising and promotion expenses of \$nil (2017 - \$5,000), wages of \$66,000 (2017 - \$nil), and share-based compensation of \$53,485 (2017 - \$6,860) to the former Vice President of Business Development of the Company. As at November 30, 2018, the Company owed \$nil (2017 - \$9,189) to the former Vice President of Business Development of the Company, which is unsecured, non-interest bearing, and due on demand.
- (c) During the year ended November 30, 2018, the Company incurred consulting fees of \$138,800 (2017 - \$nil) and share-based compensation of \$350,697 (2017 - \$nil) to a company controlled by the Chief Financial Officer of the Company. As at November 30, 2018, the Company owed \$22,925 (2017 - \$nil) to a company controlled by the Chief Financial Officer of the Company, which is unsecured, non-interest bearing, and due on demand.
- (d) During year ended November 30, 2018, the Company incurred consulting fees of \$11,400 (2017 - \$42,300) and share-based compensation of \$33,166 (2017 - \$nil) to a director of the Company and a company controlled by a director of the Company. As at November 30, 2018, the Company owed \$580 (2017 - \$580) to a company controlled by a director of the Company, which is unsecured, non-interest bearing, and due on demand.
- (e) During the year ended November 30, 2018, the Company incurred wages of \$117,424 (2017 - \$nil) and share-based compensation of \$116,186 (2017 - \$nil) to the Vice President of Licensing of the Company.
- (f) During the year ended November 30, 2018, the Company incurred consulting fees of \$264,500 (2017 - \$nil) and share-based compensation of \$168,777 (2017 - \$nil) to the former Chief Marketing Officer ("CMO") of the Company and a company controlled by the former CMO of the Company.
- (g) During the year ended November 30, 2018, the Company incurred consulting fees of \$3,006 (2017 - \$nil), wages of \$66,000 (2017 - \$nil) and share-based compensation of \$33,166 (2017 - \$nil) to a former director of the Company. As at November 30, 2018, the Company owed \$nil (2017 - \$397) to a former director of the Company.

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9. Related Party Transactions (continued)

- (h) During the year ended November 30, 2018, the Company incurred share-based compensation of \$186,224 (2017 - \$465) to directors of the Company.
- (i) During the year ended November 30, 2018, the Company incurred research and development fees of \$nil (2017 - \$100,000) and office expenses of \$nil (2017 - \$2,000) to Gance, a significant shareholder of the Company. As at November 30, 2018, the Company owed \$30,625 (2017 - \$29,860) to Gance, which is unsecured, non-interest bearing, and due on demand.
- (j) During the year ended November 30, 2018, the Company recognized revenue of \$762,742 (2017 - \$nil) from a company with common directors and officers and which the President and CEO of the Company is a significant shareholder. As at November 30, 2018, the Company was owed \$61,739 (2017 - \$nil) from the related company, which is included in accounts receivable, and the Company held a deposit of \$10,000 (2017 - \$nil) from the related company, which is included in deferred revenue.
- (k) During the year ended November 30, 2018, the Company recognized revenue of \$2,580 (2017 - \$nil) from a company whose CEO is the spouse of the President and CEO of the Company, and which the President and CEO of the Company is a significant shareholder. As at November 30, 2018, the Company held a retainer of \$6,525 (2017 - \$nil) from the related company, which is included in deferred revenue.

10. Share Capital

Authorized: unlimited number of common shares without par value

Issued during the year ended November 30, 2018

- (a) On December 8, 2017, the Company issued 1,356,662 units at \$0.15 per unit for proceeds of \$203,499. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share expiring on the earlier of one year from the date of issuance or six months from the Company's IPO closing date when the Company completes an IPO.
- (b) On December 20, 2017, the Company issued 1,333,332 units at \$0.15 per unit for proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share expiring on the earlier of one year from the date of issuance or six months from the Company's IPO closing date. In connection with this share issuance, the Company paid finders' fees of \$45,000.
- (c) On January 1, 2018, the Company issued 2,000,000 common shares with a fair value of \$300,000 as a compensation bonus to the President and CEO of the Company.
- (d) On January 1, 2018, the Company issued 4,000,000 common shares for proceeds of \$100,000 pursuant to the exercise of stock options by the President and CEO of the Company. The fair value of the stock options of \$580,547 was transferred from equity reserves to share capital upon exercise.
- (e) On February 2, 2018, the Company issued 749,500 units at \$0.40 per unit for proceeds of \$299,800. Each unit consisted of one common share and one-half share purchase warrant, with each full share purchase warrant exercisable at \$0.80 per share for a period of one year from the Company's IPO closing date. In connection with this share issuance, the Company paid finders' fees of \$72,479 and issued 62,450 broker warrants with a fair value of \$11,902. The broker warrants have the same terms as the warrants in the unit offering.
- (f) On February 2, 2018, the Company issued 25,000 common shares for proceeds of \$1,875 pursuant to the exercise of stock options. The fair value of the stock options of \$2,276 was transferred from equity reserves to share capital upon exercise.

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10. Share Capital (continued)

Issued during the year ended November 30, 2018 (continued)

- (g) On March 8, 2018, the Company issued 2,000,000 common shares for proceeds of \$100,000 pursuant to the exercise of stock options. The fair value of the stock options of \$285,280 was transferred from equity reserves to share capital upon exercise.
- (h) On April 20, 2018, the Company issued 280,000 units at \$0.50 per unit for proceeds of \$140,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.75 per share for a period of 18 months from the issuance date.
- (i) In May 2018, the Company issued 790,000 common shares for proceeds of \$98,750 pursuant to the exercise of share purchase warrants.
- (j) On June 4, 2018, the Company completed a 2-for-1 forward split of its issued and outstanding common shares. All common share amounts have been retroactively restated for the forward stock split.
- (k) On June 4, 2018, the Company issued 200,000 common shares at \$0.05 per share for proceeds of \$10,000, which was included in shares issuable at November 30, 2017.
- (l) On June 4, 2018, the Company issued 300,000 common shares at \$0.10 per share for proceeds of \$30,000, which was included in shares issuable at November 30, 2017.
- (m) On June 16, 2018, the Company issued 100,000 common shares for proceeds of \$12,500 pursuant to the exercise of share purchase warrants.
- (n) On June 28, 2018, the Company issued 690,400 common shares for proceeds of \$86,300 pursuant to the exercise of share purchase warrants.
- (o) On July 26, 2018, the Company issued 4,000,000 common shares for proceeds of \$200,000, pursuant to the exercise of stock options by the President and CEO of the Company. The fair value of the stock options of \$87,259 was transferred from equity reserves to share capital upon exercise.
- (p) On October 23, 2018, the Company issued a total of 560,000 common shares for proceeds of \$40,500 pursuant to the exercise of stock options. The fair value of the stock options of \$68,129 was transferred from equity reserves to share capital upon exercise.
- (q) On October 31, 2018, the Company cancelled 11,900,000 common shares with a carrying value of \$576,495, which were surrendered by Glance pursuant to a Further Amended and Restated License Agreement (Note 5).
- (r) On November 15, 2018, the Company issued a total of 200,000 common shares for proceeds of \$10,000 pursuant to the exercise of stock options. The fair value of the stock options of \$91,208 was transferred from equity reserves to share capital upon exercise.

Issued during the year ended November 30, 2017

- (s) On May 15, 2017, the Company issued 200,000 common shares for proceeds of \$500 to a company controlled by a director of the Company.
- (t) On May 15, 2017, the Company issued 7,800,000 common shares with a fair value of \$19,500 to a company controlled by a director of the Company to settle amounts owing of \$19,500.
- (u) On May 31, 2017, the Company issued 8,000,000 common shares to Glance for proceeds of \$200,000 pursuant to the License Agreement as noted in Note 5.
- (v) On May 31, 2017, the Company issued 400,000 units for proceeds of \$10,000. Each unit consisted of one common share and one-half share purchase warrant, with each full share purchase warrant exercisable at \$0.125 per share for a period of one year.

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10. Share Capital (continued)

Issued during the year ended November 30, 2017 (continued)

- (w) On June 16, 2017, the Company issued 10,960,000 units for proceeds of \$274,000, which included 200,000 units issued to an employee of the Company for proceeds of \$5,000. Each unit consisted of one common share and one-half share purchase warrant, with each full share purchase warrant exercisable at \$0.125 per share for a period of one year.
- (x) On June 20, 2017, the Company issued 8,000,000 shares for proceeds of \$200,000 to Glance pursuant to the License Agreement as noted in Note 5.
- (y) On June 22, 2017, the Company issued 185,840 units for proceeds of \$4,647. Each unit consisted of one common share and one-half share purchase warrant, with each full share purchase warrant exercisable at \$0.125 per share for a period of one year.
- (z) On June 28, 2017, the Company issued 120,000 units for proceeds of \$3,000 to a former director of the Company. Each unit consisted of one common share and one-half share purchase warrant, with each full share purchase warrant exercisable at \$0.125 per share for a period of one year.
- (aa) On June 28, 2017, the Company issued 1,260,800 units in exchange for the acquisition of 197,000 common shares of Glance with a fair value of \$31,520. Each unit consisted of one common share and one-half share purchase warrant, with each full share purchase warrant exercisable at \$0.125 per share for a period of one year.
- (bb) On September 7, 2017, the Company issued 3,600,000 common shares with a fair value of \$180,000 in consideration for the exclusive and international distribution rights to various plant and root-based products developed by a supplier.
- (cc) On September 7, 2017, the Company issued 3,060,000 common shares for proceeds of \$153,000.
- (dd) On September 20, 2017, the Company issued 50,000 common shares with a fair value of \$2,500 to settle accounts payable of \$2,500.
- (ee) On October 10, 2017, the Company issued 400,000 common shares with a fair value of \$20,000 in consideration for certain ayurvedic and plant-based ingredients recipes. In addition, the Company issued 400,000 share purchase warrants exercisable at \$0.50 per share for a period of one year with a fair value of \$4,772, calculated using the Black-Scholes Option Pricing Model assuming no expected dividends, volatility of 150%, and risk-free rate of 1.46%.
- (ff) On October 19, 2017, the Company issued 2,000,000 units for proceeds of \$150,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.175 per share for a period of one year.
- (gg) On November 17, 2017, the Company issued 3,750,000 units for proceeds of \$375,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of one year. In connection with the share issuance, the Company paid a finder's fee of \$75,000 and issued 200,000 broker's warrants with a fair value of \$6,148.
- (hh) On November 17, 2017 the Company issued 1,005,000 units for proceeds of \$100,500 and 1,995,000 units for consulting services with a fair value of \$199,500. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of one year.
- (ii) On November 22, 2017, the Company issued 7,820,000 units for proceeds of \$782,000, which included 2,000,000 units issued to the President and CEO of the Company for proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of one year. As at November 30, 2017, proceeds of \$10,000 remain outstanding. In connection with the share issuance, the Company paid a finder's fee of \$30,000, issued 200,000 common shares with a fair value of \$20,000, and issued 300,000 broker's warrants with a fair value of \$6,148.

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10. Share Capital (continued)

Issued during the year ended November 30, 2017 (continued)

- (jj) On November 23, 2017, the Company issued 50,000 units for proceeds of \$5,000 to an officer of the Company. Each unit consisted of one common share and one share purchase warrant exercisable at \$1.00 per share for a period of one year.
- (kk) On November 28, 2017, the Company issued 4,900,000 common shares to Glance with a fair value of \$612,500 pursuant to the License Agreement.
- (ll) As at November 30, 2017, the Company received \$40,000 of share subscriptions for shares that have not been issued.

11. Share Purchase Warrants

- (a) On July 9, 2018, the Company closed a non-brokered private placement of 260,000 units at \$0.50 per unit for proceeds of \$130,000. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$1.00 per share for a period of two years from the date of the issuance. Pursuant to the private placement, the Company paid a finder's fee of \$8,000 and issued 16,000 finders' warrants with a fair value of \$5,739, which are exercisable at \$0.50 per unit for a period of two years. Each unit of finders' warrants consisted of one special warrant and one warrant, both with the same terms as those offered in the private placement.
- (b) On July 9, 2018, the Company issued 56,700 units at \$0.50 per unit to settle accounts payable of \$28,350. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$1.00 per share for a period of two years from the date of the issuance.
- (c) On July 18, 2018, the Company closed a non-brokered private placement of 175,000 units at \$0.50 per unit for proceeds of \$87,500. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$1.00 per share for a period of two years from the date of the issuance. Pursuant to the private placement, the Company paid a finder's fee of \$8,750 and issued 17,500 finders' warrants with a fair value of \$6,276, which are exercisable at \$0.50 per unit for a period of two years. Each unit of finders' warrants consisted of one special warrant and one warrant, both with the same terms as those offered in the private placement.

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11. Share Purchase Warrants (continued)

- (d) On July 20, 2018, the Company closed a non-brokered private placement of 212,000 units at \$0.50 per unit for proceeds of \$106,000. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$1.00 per share for a period of two years from the date of the issuance. Pursuant to the private placement, the Company paid a finder's fee of \$200 and issued 400 finders' warrants with a fair value of \$143, which are exercisable at \$0.50 per unit for a period of two years. Each unit of finders' warrants consisted of one special warrant and one warrant, both with the same terms as those offered in the private placement.
- (e) On July 26, 2018, the Company closed a non-brokered private placement of 259,000 units at \$0.50 per unit for proceeds of \$129,500. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$1.00 per share for a period of two years from the date of the issuance. Pursuant to the private placement, the Company paid a finder's fee of \$200 and issued 400 finders' warrants with a fair value of \$144, which are exercisable at \$0.50 per unit for a period of two years. Each unit of finders' warrants consisted of one special warrant and one warrant, both with the same terms as those offered in the private placement.
- (f) On August 3, 2018, the Company closed a non-brokered private placement of 250,000 units at \$0.50 per unit for proceeds of \$125,000. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$1.00 per share for a period of two years from the date of the issuance. Pursuant to the private placement, the Company paid a finder's fee of \$10,000 and issued 20,000 finders' warrants with a fair value of \$7,177, which are exercisable at \$0.50 per unit for a period of two years. Each unit of finders' warrants consisted of one special warrant and one warrant, both having the same terms as those sold in the placement.
- (g) The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, November 30, 2016	–	–
Issued	23,983,320	0.37
Balance, November 30, 2017	23,983,320	0.37
Issued	10,974,194	0.58
Exercised	(1,580,400)	0.13
Expired	(4,882,920)	0.13
Balance, November 30, 2018	28,494,194	0.53

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11. Share Purchase Warrants (continued)

As at November 30, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
280,000	0.75	October 20, 2019
20,509,994	0.50*	December 14, 2019*
437,200	0.80	December 14, 2019 **
332,700	1.00	July 9, 2020
192,500	1.00	July 18, 2020
212,400	1.00	July 20, 2020
259,400	1.00	July 26, 2020
270,000	1.00	August 3, 2020
6,000,000	1.00	October 30, 2023
28,494,194		

*On October 9, 2018, the Company's Board of Directors approved to extend certain warrants that were expected to expire prior to the anticipated IPO date to one year after the date of IPO. The Company completed its IPO subsequent to year-end on December 14, 2018. As a result, the exercise price was amended to \$0.50 per share and the term was extended to one year from the closing date of an IPO and the exercise price was amended, as follows:

- If exercised after the original expiry date and within seven days after IPO, the exercise price becomes \$0.50 per share;
- If exercised later than seven days following the IPO Date and within two months after the IPO Date, the price is adjusted to \$0.70 per share;
- If exercised beyond two months and within four months after the IPO Date, the price is adjusted to \$1.20 per share; and
- If exercised beyond four months and within twelve months of the IPO Date, the price is adjusted to \$3.00 per share.

**Expire one year after the closing date of an IPO.

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12. Stock Options

On May 15, 2017, the Company adopted an incentive stock option plan. Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees, and consultants of the Company. The terms of the granted stock options as well as the vesting conditions are at the sole discretion of the directors.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, November 30, 2016	–	–
Granted	6,410,000	0.06
Expired	(900,000)	0.05
Outstanding, November 30, 2017	5,510,000	0.06
Granted	14,603,500	0.24
Exercised	(10,785,000)	0.04
Expired	(967,500)	0.34
Outstanding, November 30, 2018	8,361,000	0.36
Exercisable, November 30, 2018	6,337,250	0.35

Additional information regarding stock options outstanding as at November 30, 2018, is as follows:

Range of exercise prices \$	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
0.05	100,000	–	3.50
0.08	400,000	400,000	3.88
0.10	300,000	300,000	3.97
0.15	2,187,500	2,062,500	4.16
0.25	18,500	18,500	4.71
0.40	4,390,000	3,020,000	4.25
0.50	965,000	536,250	4.45
	8,361,000	6,337,250	4.21

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended November 30, 2018, the Company recognized share-based compensation expense of \$3,663,470 (2017 - \$89,908) in equity reserves, of which \$1,865,830 (2017 - \$48,206) pertains to directors and officers of the Company. The weighted average fair value of each option granted during the year ended November 30, 2018, was \$0.63 (2017 - \$0.03) per share. The weighted average share price for stock options exercised was \$0.04 (2017 - \$nil). Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2018	2017
Risk-free interest rate	2.03%	1.03%
Dividend yield	0%	0%
Expected Volatility	150%	150%
Expected life (years)	4.71	3.86

As at November 30, 2018 there was \$170,810 (2017 - \$87,016) of unrecognized share-based compensation related to unvested stock options.

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13. Capital Management

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, share capital, special warrant reserve, equity reserves, and shares issuable.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended November 30, 2018. The Company is not subject to externally imposed capital requirements.

14. Supplemental Disclosures

	November 30, 2018	November 30, 2017
	\$	\$
Non-cash investing and financing activities:		
Fair value of broker's warrants issued as finder's fees	31,381	–
Shares issued for settlement of accounts payable	–	2,500
Shares issued for settlement of related party payables	–	19,500
Shares issued for prepaid services	–	165,000
Shares issued for license agreement	–	612,500
Shares received for licensing fees held in deferred revenues	2,000,000	–
Shares received for licensing fees held as prepaid royalty fees	1,000,000	–
Shares returned pursuant to termination of licensing agreement	(576,495)	–
Special warrants issued for debt settlement	28,350	–
Shares issued for related party payables	–	19,500
Units issued for marketable securities	–	31,520
Warrants issued pursuant to amendment of licensing agreement	2,735,895	–

15. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at November 30, 2018, as follows:

	Fair Value Measurements Using			Balance November 30, 2018
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	\$
Cash	36,211	–	–	36,211
Marketable securities	1,515,100	296,333	–	1,811,433
Total assets	1,551,311	296,333	–	1,847,644

The fair values of other financial instruments, including amounts receivables, loan receivable, accounts payable and accrued liabilities, and amounts due from and to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

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15. Financial Instruments and Risks (continued)

(b) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada. Amounts receivable is primarily comprised of GST receivable due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

(e) Price Risk

The Company is exposed to price risk with respect to its marketable securities, which consists of common shares and warrants held in publicly-traded and privately held companies and profitability depend upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

16. Commitments

- (a) On June 1, 2017, the Company entered into a consulting agreement with the President and CEO of the Company, whereby the Company agreed to pay a monthly salary of \$5,000 per month.
- (b) On September 2, 2017, the Company's wholly-owned subsidiary, Urban Juve, entered into an Asset Purchase and Distribution Agreement whereby Urban Juve was granted exclusive and international distribution rights to various plant and root-based products developed by a supplier. The term of the agreement is for twenty years and will be automatically renewed for twenty additional years unless terminated by the parties. As consideration for the distribution rights, the Company issued 3,600,000 common shares at \$0.05 per share for fair value of \$180,000, paid an initial payment of \$6,000 on the effective date of the agreement, and will pay a second payment of \$30,000 upon completion of an initial public offering by the Company. Urban Juve will also pay a royalty fee of 10% of the net revenues from the sale of any products under the agreement.
- (c) On September 2, 2017, in conjunction with the Asset Purchase and Distribution Agreement, Urban Juve entered into a consulting agreement with the same supplier whereby the supplier would create new products specifically for Urban Juve and provide consulting services on an ongoing basis. The term of the agreement is two years and will be automatically renewed for one additional year unless terminated by the parties. In consideration for the consulting services, Urban Juve will pay consulting fees of \$5,000 per month, which will increase to \$10,000 per month upon Urban Juve achieving \$40,000 in monthly net revenues on the sale of the products.
- (d) On October 10, 2017, Urban Juve entered into an agreement whereby Urban Juve would acquire certain ayurvedic and plant-based ingredients recipes along with any formulas, technology or intellectual property related to the recipes. As consideration for the assets, the Company issued 400,000 units with a fair value of \$20,000. Also, in conjunction with the agreement, the vendor will provide employment services to Urban Juve as an employee of the Company. The vendor is set to receive cash bonuses of \$20,000 and \$100,000 upon the products generating \$100,000 and \$1,000,000 in net revenues, respectively.

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16. Commitments (continued)

- (e) On October 25, 2017, the Company entered into an agreement with a third party, amended on November 30, 2017, whereby the Company agreed to pay a signing fee of \$15,000 plus GST and service fee of \$13,750 plus GST per month. The term of the consulting agreement is for one year from the date on which the Company completes an IPO. The total aggregate signing and consulting fees of \$180,000 is due upon signing of the agreement and was paid by the issuance of 1,890,000 units. In addition, in the event the consultant introduces the Company to investors, the Company shall pay the consultant a 10% finder's fee.
- (f) On December 30, 2017, the Company's wholly-owned subsidiary, Urban Juve, entered into an Asset Purchase and Distribution Agreement whereby Urban Juve would be granted exclusive Canadian distribution rights to various plant and root-based products developed by a supplier. The term of the agreement is for twenty years and will be automatically renewed for twenty additional years unless terminated by the parties. As consideration for the distribution rights, the Company paid \$50,000 on the effective date of the agreement. Urban Juve will also pay a royalty fee of 10% of the net revenues (as defined in the agreement) from the sale of any products under the agreement.
- (g) On August 3, 2018, the Company reached an agreement with the Company's President and CEO for a working capital loan of \$500,000, which will be advanced to the Company upon request. The loan is unsecured, bears interest at 5% per annum and calculated on a daily basis, and is due on demand at the earlier of: (a) 12 months after the Company's stock is listed on a Canadian Stock Exchange; or (b) the Company obtaining sufficient equity funding to support its business plan for at least 12 months after the Company's stock is listed on a Canadian Stock Exchange. The Company has not requested any advances on the loan as at November 30, 2018.

17. Income Taxes

The Company is subject to Canadian federal and provincial tax at the rate of 26.92% (2017 - 26%). The tax effect of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2018	2017
	\$	\$
Net loss	(9,708,037)	(1,229,685)
Statutory income tax rate	26.9%	26%
Income tax provision at statutory rate	(2,613,080)	(319,718)
Tax effect of:		
Change in enacted tax rates	(5,500)	(12,355)
Permanent differences and other	857,372	(1,395)
Change in unrecognized deferred income tax assets	1,761,208	333,468
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2018	2017
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	2,040,817	310,909
Equipment	5,730	–
Share issuance costs	48,250	22,680
Total gross deferred income tax assets	2,094,797	333,589
Unrecognized deferred income tax assets	(2,094,797)	(333,589)
Net deferred income tax assets	–	–

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17. Income Taxes (continued)

As at November 30, 2018, the Company has non-capital losses carried forward of \$7,558,581 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2034	352
2035	67
2036	45
2037	1,151,050
2038	6,407,067
	7,557,581

18. Subsequent Events

- (a) Effective December 14, 2018, the Company completed its initial public offering of 4,481,500 units at \$0.50 per unit for gross proceeds of \$2,240,750. Each unit consisted of one common share and one warrant exercisable at \$1.10 per unit until December 14, 2020. Each exercised warrant will consist of one common share and an additional warrant. Each additional warrant is exercisable at \$2.00 per share, and expires on December 14, 2020. In connection with the IPO, the Company issued 448,150 agents' options which are exercisable at \$0.50 per share until December 13, 2020.
- (b) On December 17, 2018, the Company and its wholly-owned subsidiary, Urban Juve, each entered into a Director Agreement, whereby the Company and Urban Juve each agreed to pay the director a fee of \$5,000 per month and each granted 500,000 stock options, exercisable into common shares of the Company at \$0.23 per share for a term of 5 years. The stock options vest 25% every 3 months after the grant date.
- (c) On December 17, 2018, the Company granted 890,000 stock options, which are exercisable at \$0.23 per share for a term of five years. The stock options vest 25% every 3 months after the grant date.
- (d) On December 19, 2018, the Company, through its subsidiary UJ Topicals Inc., entered into a Product Distribution Agreement and Master Services Agreement with Nova Paths LLC ("Nova Paths") to manufacture and distribute its THC and CBD infused line of topical products through the state of Oregon. Pursuant to the agreements, the Company granted Nova Paths a non-exclusive license to its brand and proprietary product formulations for pain balm, analgesic pain gel, a pain patch, massage oil, capsules, and other products ("UJ Topicals Line"). In addition, the Company appointed Nova Paths as its exclusive distributor for the UJ Topicals Line in Oregon. Under the terms of the agreements, Nova Paths will retain a fee of 25% of the wholesale revenues from sales of UJ Topicals Inc. and pay the balance of wholesale revenue, less certain expenses, to UJ Topicals Inc.
- (e) On January 3, 2019, the Company entered into a consulting agreement with Incanco Cannabis Consultants Co. Ltd. for a term of 2 years. In consideration for its services, the Company agreed to pay a signing bonus of 200,000 units, consisting of one common share and one warrant to purchase one common share at \$0.34 per share for a period of 5 years. In addition, the Company agreed to pay milestone bonuses in the amount of \$10,000 payable by 40,000 common shares of the Company every 3 months after the date of the agreement for a period of 12 months.
- (f) On January 3, 2019, the Company issued 48,256 shares at deemed price of \$0.34 per share to settle a debt in the amount of \$16,407.
- (g) On January 8, 2019, the Company granted 290,000 stock options, which are exercisable at \$0.51 per share for a term of 5 years. The stock options vest 25% every 3 months after the grant date.

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18. Subsequent Events (continued)

- (h) On January 11, 2019, the Company issued 310,293 units at deemed price of \$0.34 per unit to settle debts in an aggregated amount of \$105,500. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at \$0.40 per share for a period of 6 months from the date of issuance.
- (i) On January 17, 2019, the Company entered into a Definitive Agreement to acquire 8 wellness beverage formulas designed to be infused with CBD and THC, in addition to a capsule product intended to treat hangovers. Pursuant to the agreement, the Company agreed to pay \$100,000, payable in 200,000 common shares and 200,000 warrants to purchase one common share at \$0.60 per share for a period of 1 year. Additional compensation will be paid for filing of a provisional patent and passing stability and preservative testing and commercial launch of the products. In addition, the vendors are entitled to a 2% royalty of net revenues.
- (j) On January 29, 2019, the Company issued 157,500 units at deemed price of \$0.40 per unit to settle debts in an aggregated amount of \$63,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at \$0.50 per share for a period of 6 months from the date of issuance.
- (k) On January 25, 2019 and January 31, 2019, the Company closed a non-brokered private placement of 1,250,000 units in 2 tranches at \$0.40 per unit for proceeds of \$500,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at \$0.50 per share for a period of 6 months from the date of the issuance.
- (l) On January 31, 2019, the Company granted 185,000 stock options, which are exercisable at \$0.62 per share for a term of five years. The stock options vest 25% every 3 months after the grant date.
- (m) Effective February 1, 2019, the Company appointed a Chairman of the Company's advisory board for a term of 1 year, whereby the Company granted 1,000,000 stock options, which are exercisable at \$0.23 per share for a term of 5 years. The stock options vest 25% every 3 months after the grant date.
- (n) On February 20, 2019, the Company issued 191,134 units at deemed price of \$0.70 per unit to settle debts in an aggregated amount of \$133,794. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at \$0.80 per share for a period of 6 months from the date of issuance.
- (o) On February 28, 2019, the Company issued 125,714 units at deemed price of \$0.70 per unit to settle debts in an aggregated of \$88,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at \$0.80 per share for a period of 6 months from the date of issuance.
- (p) On March 12, 2019, the Company entered an agreement with Vandebosch Trading Company Ltd. to purchase a 10-acre property in Chilliwack, B.C., Canada. The purchase includes over 2.5 acres (approximately 100,000 square feet) of well-equipped and automated greenhouses for \$2,400,000, and is subject to close within 40 days from the signing date contingent upon completion of a satisfactory building inspection by the Company.
- (q) Subsequent to the year ended November 30, 2018, the Company issued 980,000 common shares pursuant to the exercise of stock options for total proceeds of \$260,500.
- (r) Subsequent to the year ended November 30, 2018, the Company issued 5,455,509 common shares pursuant to the exercise of warrants for total proceeds of \$3,598,558.
- (s) Subsequent to the year ended November 30, 2018, a total of 1,062,500 stock options with exercise prices ranging from \$0.40 per share to \$0.60 per share were cancelled or expired.
- (t) Subsequent to the year ended November 30, 2018, the Company incorporated three wholly-owned subsidiaries, UJ Topicals Inc., UJ Beverages Inc. and UJ Edibles Inc., in the province of British Columbia.