THE YIELD GROWTH CORP.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended May 31, 2019 and 2018
(Unaudited)

THE YIELD GROWTH CORP.

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

	May 31, 2019 (unaudited)	November 30, 2018
ASSETS		
Current assets		
Cash	$ 1,132,393	$ 36,211
Marketable securities (Note 3)	2,595,673	1,811,433
Accounts receivable (Note 9)	573,402	210,529
Inventory (Note 4)	511,226	50,783
Prepaid expenses and other assets (Note 5)	691,365	454,146
Total current assets	5,504,059	2,563,102
Non-current assets		
Equipment (Note 6)	168,403	49,243
Intangible assets (Note 7)	423,621	–
Total assets	$ 6,096,083	$ 2,612,345
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 995,988	$ 364,140
Due to related parties (Note 9)	787	59,554
Deferred revenue (Notes 8 and 9)	349,858	349,858
Total current liabilities	1,346,633	773,552
Non-current liabilities		
Deferred revenue (Note 8)	343,379	509,589
Total liabilities	1,690,012	1,283,141
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	15,027,252	5,449,968
Special warrant reserve	–	559,721
Equity reserves	7,118,962	5,420,973
Accumulated other comprehensive income	1,133,995	836,728
Deficit	(18,874,138)	(10,938,186)
Total shareholders' equity	4,406,071	1,329,204
Total liabilities and shareholders' equity	$ 6,096,083	$ 2,612,345

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 July 29, 2019:

/s/ "Penny Green"
Director

/s/ "Thomas Bond"
Director

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

THE YIELD GROWTH CORP.

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

	Three months ended May 31, 2019	Three months ended May 31, 2018	Six months ended May 31, 2019	Six months ended May 31, 2018
REVENUE				
Consulting (Note 9)	$ 71,133	$ 190,116	$ 780,372	$ 198,929
Licensing and product sales (Notes 8 and 9)	1,105,496	–	1,196,756	1,800,000
Total revenue	1,176,629	190,116	1,977,128	1,998,929
COST OF PRODUCTS AND SERVICES	55,267	–	383,095	–
Gross profit	1,121,362	190,116	1,594,033	1,998,929
EXPENSES				
Amortization and depreciation (Notes 6 and 7)	14,165	5,506	23,322	7,202
Advertising, marketing and media	1,710,653	226,169	3,565,271	377,365
Consulting fees (Note 9)	273,468	108,843	752,530	570,982
Distribution fees	–	–	30,000	50,000
Information systems	252,675	194,512	465,950	202,846
Investor relations	102,256	–	160,353	–
Licensing fees	–	228,747	–	452,500
Office and administrative (Note 9)	248,280	137,320	444,413	211,769
Product development, research and registration	161,875	52,993	251,866	65,693
Professional fees	182,342	266,647	302,230	328,615
Share-based compensation (Notes 9 and 12)	1,455,649	1,209,796	1,864,576	2,525,944
Wages (Note 9)	414,787	225,382	724,030	325,347
Total expenses	4,816,150	2,655,915	8,584,541	5,118,263
Net loss before other items	(3,694,788)	(2,465,799)	(6,990,508)	(3,119,334)
OTHER ITEMS				
Impairment of loan receivable	–	(15,000)	–	(15,000)
Listing fees	(26,352)	–	(165,152)	–
Gain (loss) on sale of marketable securities (Note 3)	–	–	(238,985)	71,412
Unrealized loss on marketable securities (Note 3)	(135,636)	–	(180,660)	–
Loss from investment in associate	–	(332,870)	–	(389,095)
Loss on foreign exchange	(16,579)	–	(22,622)	–
Loss on settlement of accounts payable (Note 10)	(272,817)	–	(338,025)	–
Net loss for the period	(4,146,172)	(2,813,669)	(7,935,952)	(3,452,017)
OTHER COMPREHENSIVE INCOME (LOSS)				
Reclassification adjustment for loss (gain) on marketable securities previously included in comprehensive income (Note 3)	–	–	222,483	–
Unrealized gain (loss) on marketable securities (Note 3)	–	–	75,000	(589,030)
Unrealized foreign exchange gain (loss)	(216)	–	(216)	–
Comprehensive loss for the period	$ (4,146,388)	$ (2,813,669)	$ (7,638,685)	$ (4,041,047)
LOSS PER SHARE, BASIC AND DILUTED	$ (0.05)	$ (0.04)	$ (0.09)	$ (0.05)
Weighted average shares outstanding	87,905,000	77,179,000	83,736,000	74,678,000

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

THE YIELD GROWTH CORP.

Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(unaudited)

	Share capital		Special			Accumulated other		Total
	Number of shares	Amount	Special warrant reserve	Equity reserves	Shares issuable	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
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	3,719,494	843,299	–	–	–	–	–	843,299
Share issuance costs	–	(129,381)	–	11,902	–	–	–	(117,479)
Shares issued on exercise of stock options	6,025,000	1,069,978	–	(868,103)	–	–	–	201,875
Shares issued on exercise of warrants	790,000	98,750	–	–	–	–	–	98,750
Shares issued for compensation	2,000,000	300,000	–	–	–	–	–	300,000
Fair value of stock options granted	–	–	–	2,525,944	–	–	–	2,525,944
Realized gain on marketable securities	–	–	–	–	–	(589,030)	–	(589,030)
Net loss for the period	–	–	–	–	–	–	(3,452,017)	(3,452,017)
BALANCE, MAY 31, 2018	78,291,134	5,390,566	–	1,744,669	40,000	–	(4,682,166)	2,523,069
BALANCE, NOVEMBER 30, 2018	72,441,534	5,449,968	559,721	5,420,973	–	836,728	(10,938,186)	1,329,204
Units issued for cash	5,731,500	2,740,750	–	–	–	–	–	2,740,750
Share issuance costs	–	(384,795)	–	160,720	–	–	–	(224,075)
Shares issued on conversion of special warrants	1,212,700	559,721	(559,721)	–	–	–	–	–
Shares issued on exercise of stock options	1,455,000	869,926	–	(466,926)	–	–	–	403,000
Shares issued on exercise of warrants	6,995,509	4,706,168	–	(337,609)	–	–	–	4,368,559
Shares issued for consulting services	48,256	16,407	–	–	–	–	–	16,407
Units issued for consulting services	642,896	239,037	–	75,439	–	–	–	314,476
Units issued for intangible assets	230,000	170,700	–	102,603	–	–	–	273,303
Units issued to settle accounts payable	1,106,048	659,370	–	299,186	–	–	–	958,556
Fair value of stock options granted	–	–	–	1,864,576	–	–	–	1,864,576
Realized loss on marketable securities	–	–	–	–	–	222,483	–	222,483
Unrealized gain on marketable securities	–	–	–	–	–	75,000	–	75,000
Unrealized foreign exchange loss	–	–	–	–	–	(216)	–	(216)
Net loss for the period	–	–	–	–	–	–	(7,935,952)	(7,935,952)
BALANCE, May 31, 2019	89,863,443	$ 15,027,252	$ –	$7,118,962	$ –	$ 1,133,995	$(18,874,138)	$ 4,406,071

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

THE YIELD GROWTH CORP.

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

	Six months ended May 31, 2019	Six months ended May 31, 2018
OPERATING ACTIVITIES		
Net loss	$ (7,935,952)	$ (3,452,017)
Items not involving cash:		
Amortization and depreciation	23,322	7,202
Impairment of loan receivable	–	15,000
Loss (gain) on sale of marketable securities	238,985	(71,412)
Loss on marketable securities at fair value through profit or loss	180,660	–
Loss on settlement of accounts payable	338,025	–
Loss from investment in associate	–	389,095
Share-based compensation	1,864,576	2,525,944
Shares and warrants received for licensing and distribution rights	(1,000,000)	(1,800,000)
Shares issued for consulting services	16,407	300,000
Units issued for consulting services	314,476	–
Changes in non-cash operating working capital:		
Accounts receivable	(612,873)	(83,360)
Accounts payable and accrued liabilities	1,252,379	118,560
Deferred revenue	(166,210)	–
Due to related parties	(58,767)	(138,330)
Inventory	(460,443)	–
Prepaid expenses and other assets	(237,219)	315,360
Net cash used in operating activities	(6,242,634)	(1,873,958)
INVESTING ACTIVITIES		
Purchase of equipment	(139,450)	(38,745)
Purchase of intangible assets	(15,000)	–
Proceeds from sale of marketable securities	343,598	102,932
Website development costs	(138,350)	–
Net cash provided by investing activities	50,798	64,187
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	–	1,143,924
Proceeds from issuance of units	2,740,750	–
Share issuance costs	(224,075)	(117,479)
Proceeds from exercise of stock options	403,000	–
Proceeds from exercise of warrants	4,368,559	–
Net cash provided by financing activities	7,288,234	1,026,445
EFFECT OF FOREIGN EXCHANGE ON CASH	(216)	–
CHANGE IN CASH	1,096,182	(783,326)
Cash, beginning of period	36,211	1,425,380
CASH, END OF PERIOD	$ 1,132,393	$ 642,054

Supplemental disclosures (Note 14)

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

1. Nature of Operations and Continuance of Business

The Yield Growth Corp. ("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 to distribute and 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). 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 condensed interim consolidated financial statements have been retroactively restated for the forward stock split.

These condensed interim 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 $7,935,952, has used $6,242,634 of cash for operating activities during the six months ended May 31, 2019, and has incurred an accumulated deficit of $18,874,138 as at May 31, 2019. 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 condensed interim 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

Statement of Compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, and based on the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended November 30, 2018, which include the Company's significant accounting policies, and have been prepared in accordance with the same methods of application.

Basis of Presentation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Urban Juve Provisions Inc., Thrive Activations Inc., Wright & Well Essentials Inc. (formerly UJ Topicals Inc.), UJ Beverages Inc. and Yield Botanicals Inc., which were incorporated in the province of British Columbia, Canada, W&W Manufacturing Inc. (formerly Mad Wallaby Distribution Inc.), which was incorporated in the State of California, United States, and UJ Asia Limited, which was incorporated in Hong Kong. All inter-company balances and transactions have been eliminated on consolidation.

2. Significant Accounting Policies (continued)

Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim 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.

Significant Accounting Estimates and Judgments

The preparation of condensed interim 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, the impairment of inventory, the useful life and carrying value of equipment, the carrying value of intangible assets, 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 condensed interim 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.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Accounting Standards Issued but Not Yet Effective

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2019, or later years.

New standard IFRS 16, "Leases"

The Company has not early adopted this new standard and does not believe the adoption of this standard 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 condensed interim consolidated financial statements.

(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.

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”), 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. At May 31, 2019, and November 30, 2018, the shares of Loop had an unrealized gain of $1,059,211 based on their fair value.

During the six months ended May 31, 2019, the Company acquired 1,000,000 units of HeyBryan Media Inc. (“HeyBryan”), a private company, at $0.25 per unit, in consideration for the settlement of accounts receivable from HeyBryan of $250,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.90 per share for a period of two years.

On May 29, 2019, the Company received 5,000,000 common shares of Antler Retail Inc. (“Antler”) pursuant to a License Agreement (Note 8).

	November 30, 2018 fair value	Additions	Proceeds from sale	Realized loss on sale	Unrealized gain (loss)	May 31, 2019 fair value
Active Pay	$ 30,000	$ –	$ –	$ –	$ 75,000	$ 105,000
CROP–Shares	360,100	–	(343,598)	(238,985)	222,483	–
CROP–Warrants	296,333	–	–	–	(180,660)	115,673
Loop	1,125,000	–	–	–	–	1,125,000
HeyBryan	–	250,000	–	–	–	250,000
Antler	–	1,000,000	–	–	–	1,000,000
	$ 1,811,433	$1,250,000	$(343,598)	$(238,985)	$ 116,823	$ 2,595,673

(Expressed in Canadian Dollars)

4. Inventory

	May 31, 2019	November 30, 2018
Finished goods	$ 234,476	$ 12,749
Packaging	250,674	38,034
Product samples	26,076	–
	$ 511,226	$ 50,783

During the six months ended May 31, 2019, cost of revenues includes inventory costs of $2,098 (2018 - $nil), and no inventory was written down (2018 - $nil).

5. Prepaid Expenses and Other Assets

	May 31, 2019	November 30, 2018
Prepaid services	$ 198,414	$ 64,312
Deposits	492,951	389,834
	$ 691,365	$ 454,146

6. Equipment

	Computer equipment	Furniture and display equipment	Telephone equipment	Lab equipment	Total
Cost:					
Balance, November 30, 2018	$ 65,497	$ 2,592	$ 2,378	$ –	$ 70,467
Additions	22,143	103,500	–	13,807	139,450
Balance, May 31, 2019	87,640	106,092	2,378	13,807	209,917
Accumulated depreciation:					
Balance, November 30, 2018	20,297	648	279	–	21,224
Additions	18,310	1,196	237	547	20,290
Balance, May 31, 2019	38,607	1,844	516	547	41,514
Carrying amounts:					
As at November 30, 2018	$ 45,200	$ 1,944	$ 2,099	$ –	$ 49,243
As at May 31, 2019	$ 49,033	$ 104,248	$ 1,862	$ 13,260	$ 168,403

(Expressed in Canadian Dollars)

7. Intangible Assets

	Product Formulations	Website development costs	Total
Cost:			
Balance, November 30, 2018	$ –	$ –	$ –
Additions	288,303	138,350	426,653
Balance, May 31, 2019	288,303	138,350	426,653
Accumulated depreciation:			
Balance, November 30, 2018	–	–	–
Additions	–	3,032	3,032
Balance, May 31, 2019	–	3,032	3,032
Carrying amounts:			
As at November 30, 2018	$ –	$ –	$ –
As at May 31, 2019	$ 288,303	$ 135,318	$ 423,621

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 issued 200,000 common shares with a fair value of $156,000 and issued 200,000 warrants with a fair value of $95,008. The warrants are exercisable 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 1% royalty on net revenues.

On May 21, 2019, the Company entered into a binding Letter Agreement to acquire 20 recipes and instructions to formulate various edible products and their infusion with hemp, CBD, THC and/or other cannabinoids. Pursuant to the agreement, the Company paid $15,000 and issued 30,000 units with a fair value of $22,295. The warrants are exercisable at $0.57 per share for a period of 1 year.

Product formulations have an indefinite useful life and are valued at fair value. The Company will periodically evaluate these assets to assess whether they have determinable useful lives or whether their value has become impaired over time. Website development costs are amortized over a useful life of 3 years.

8. License and Distribution Agreement

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 is being recognized as revenue over the 3-year term of the agreement, and as of May 31, 2019, $676,712 (November 30, 2018 – $842,922) of the initial fee was included in deferred revenue which includes $343,379 (November 30, 2018 – $509,589) recorded as non-current deferred revenues.

(Expressed in Canadian Dollars)

8. License and Distribution Agreement (continued)

On May 28, 2019, the Company entered into a license agreement with Antler Retail Holdings Inc. ("Antler Holdings"), whereby the Company granted a perpetual non-exclusive license for 56 product formulas for THC and CBD infusion to Antler Holdings for sale in the United States. Pursuant to the license agreement, the Company received 5,000,000 common shares of Antler Retail, Inc. ("Antler Retail"), the parent company of Antler Holdings, with a fair value of $1,000,000. The Company has a right of first refusal to act as distributor, to supply CBD and to act as the manufacturer on all CBD products developed by Antler Holdings using the licensed formulas. The transaction was considered a related party transaction, as the President and CEO of the Company and a Director of the Company are directors and significant shareholders of Antler Retail.

9. Related Party Transactions

During the six months ended May 31, 2019, and 2018, compensation of key management personnel and related parties were as follows:

	May 31, 2019	May 31, 2018
Consulting fees	$ 169,000	$ 647,650
Wages	263,720	77,424
Rent expense	–	4,500
Share-based compensation	863,498	1,423,980
	$ 1,296,218	$ 2,153,554

As at May 31, 2019, the Company owed $207 (November 30, 2018 – $5,424) to the President and CEO of the Company, which is unsecured, non-interest bearing, and due on demand.

As at May 31, 2019, the Company owed $18,119 (November 30, 2018 - $22,925) to the Chief Financial Officer ("CFO") of the Company and a company controlled by the CFO of the Company, which is included in accounts payable and accrued liabilities, and is unsecured, non-interest bearing, and due on demand.

As at May 31, 2019, the Company owed $4,330 (November 30, 2018 - $580), of which $3,750 is included in accounts payable and accrued liabilities, to a company controlled by a director of the Company, which is unsecured, non-interest bearing, and due on demand.

During the six months ended May 31, 2019, the Company recognized licensing revenue of $1,000,000 (2018 - $nil) from a company of which the President and CEO of the Company and another director of the Company are directors and significant shareholders (Note 8). As at May 31, 2019, the Company was owed $12,067 (November 30, 2018 - $nil) from the related company, which is included in accounts receivable, and held a retainer of $6,525 (November 30, 2018 - $6,525) from the related company, which is included in deferred revenue.

During the six months ended May 31, 2019, the Company recognized consulting revenue of $780,372 (2018 - $nil) from a company with common directors and officers and which the President and CEO of the Company is a significant shareholder. As at May 31, 2019, the Company was owed $209,456 (November 30, 2018 - $61,739) from the related company, which is included in accounts receivable, and the Company held a deposit of $10,000 (November 30, 2018 - $10,000) from the related company, which is included in deferred revenue.

10. Share Capital

Authorized: unlimited number of common shares without par value.

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 incurred share issuance costs of $224,075 and issued 448,150 agents' warrants with a fair value of $160,720, which are exercisable at $0.50 per share until December 13, 2020.

On December 14, 2018, the Company issued 1,212,700 common shares pursuant to the conversion of 1,212,700 special warrants.

On January 3, 2019, the Company issued 200,000 units with a fair value of $114,289 pursuant to a consulting agreement with Incanco Cannabis Consultants Co. Ltd. (Note 16). 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 $0.34 per share for a period of 5 years from the date of issuance.

On January 3, 2019, the Company issued 48,256 shares to a non-employee to settle debt for services with a fair value of $16,407. These services were originally payable in cash or shares.

On January 11, 2019, the Company issued a total of 310,293 units to non-employees to settle debt for services with a fair value of $105,500. These services were originally payable in cash or units. 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.

On January 29, 2019, the Company issued 131,250 units with a fair value of $85,546 to settle debt of $52,500, resulting in a loss on settlement of debt of $33,046. 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.

On January 29, 2019, the Company issued 26,250 units to a non-employee to settle debt for services with a fair value of $10,500. These services were originally payable in cash or units. 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.

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.

10. Share Capital (continued)

On February 5, 2019, the Company issued 200,000 units with a fair value of $251,008 for the acquisition of wellness beverage formulas as described in Note 7. 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 $0.60 per share for a period of 1 year from the date of issuance.

On February 20, 2019, the Company issued 13,720 units to a non-employee to settle debt for services with a fair value of $9,604. These services were originally payable in cash or units. 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.

On February 20, 2019, the Company issued 177,414 units with a fair value of $181,437 to settle debt of $124,190, resulting in a loss on settlement of debt of $57,247. 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.

On February 28, 2019, the Company issued 75,000 units with a fair value of $76,699 to settle debt of $52,500, resulting in a loss on settlement of debt of $24,199. 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.

On February 28, 2019, the Company issued 35,714 units to a Director of the Company with a fair value of $36,523 to settle debt of $25,000, resulting in a loss on settlement of debt of $11,523. 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.

On February 28, 2019, the Company issued 15,000 units to a non-employee to settle debt for services with a fair value of $10,500. These services were originally payable in cash or units. 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.

On April 12, 2019, the Company issued 178,532 units with a fair value of $187,538 to settle debts of $98,193, resulting in a loss on settlement of debt of $89,345. 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 $0.70 per share for a period of 1 year from the date of issuance.

On April 29, 2019, the Company issued 93,850 units with a fair value of $82,923 to settle debts of $61,003, resulting in a loss on settlement of debt of $21,920. 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 $0.70 per share for a period of 6 months from the date of issuance.

10. Share Capital (continued)

On May 7, 2019, the Company issued 5,375 units to a non-employee to settle debt for services with a fair value of $3,333. These services were originally payable in cash or units. 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 $0.62 per share for a period of 1 year from the date of issuance.

On May 7, 2019, the Company issued 32,258 units with a fair value of $31,024 to employees to settle debt for services. These services were originally payable in cash or units. 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 $0.62 per share for a period of 1 year from the date of issuance.

On May 31, 2019, the Company issued 40,000 units with a fair value of $29,725 to employees to settle debt for services. These services were originally payable in cash or units. 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 $0.57 per share for a period of 1 year from the date of issuance.

On May 31, 2019, the Company issued 414,288 units with a fair value of $307,889 to settle debts of $207,144, resulting in a loss on settlement of debt of $100,745. 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 $0.57 per share for a period of 1 year from the date of issuance.

On May 31, 2019, the Company issued 30,000 units with a fair value of $22,295 for the acquisition of edible product formulas as described in Note 7. 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 $0.57 per share for a period of 1 year from the date of issuance.

During the six months ended May 31, 2019, the Company issued 1,455,000 common shares pursuant to the exercise of stock options for proceeds of $403,000. The fair value of the stock options of $466,926 was transferred from equity reserves to share capital upon exercise.

During the six months ended May 31, 2019, the Company issued 6,740,709 common shares pursuant to the exercise of warrants for proceeds of $4,241,159. The fair value of the warrants of $246,230 was transferred from equity reserves to share capital upon exercise.

During the six months ended May 31, 2019, the Company issued 254,800 common shares pursuant to the exercise of agents' warrants for total proceeds of $127,400. The fair value of the agents' warrants of $91,379 was transferred from equity reserves to share capital upon exercise.

(Expressed in Canadian Dollars)

11. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, November 30, 2018	28,494,194	$ 0.53
Issued	8,158,594	0.85
Exercised	(6,995,509)	0.62
Balance, May 31, 2019	29,657,279	$ 1.97

As at May 31, 2019, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
26,250	$ 0.50	July 29, 2019
191,134	$ 0.80	August 20, 2019
125,714	$ 0.80	August 28, 2019
280,000	$ 0.75	October 20, 2019
93,850	$ 0.70	October 29,2019
16,000,828	$ 3.00*	December 14, 2019*
437,200	$ 0.80	December 14, 2019
200,000	$ 0.60	February 5, 2020
178,532	$ 0.70	April 12, 2020
37,633	$ 0.62	May 7, 2020
484,288	$ 0.57	May 31, 2020
16,000	$ 0.50	July 9, 2020
316,700	$ 1.00	July 9, 2020
17,500	$ 0.50	July 18, 2020
175,000	$ 1.00	July 18, 2020
400	$ 0.50	July 20, 2020
212,000	$ 1.00	July 20, 2020
400	$ 0.50	July 26, 2020
259,000	$ 1.00	July 26, 2020
20,000	$ 0.50	August 3, 2020
250,000	$ 1.00	August 3, 2020
193,350	$ 0.50	December 14, 2020
4,481,500	$ 1.10	December 14, 2020
5,460,000	$ 0.50	October 30, 2023
200,000	$ 0.34	January 3, 2024
29,657,279		

** On October 9, 2018, the Company's Board of Directors approved to extend certain warrants that were expected to expire prior to the IPO date to 12 months after the date of IPO. The Company completed its IPO on December 14, 2018. As a result, the term was extended to 1 year from the closing date of the IPO and the exercise price was amended, as follows: If exercised after the original expiry date and within seven days after the IPO, the exercise price is adjusted to $0.50 per share; If exercised later than 7 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.*

(Expressed in Canadian Dollars)

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, 2018	8,361,000	$ 0.36
Granted	7,844,828	0.56
Exercised	(1,455,000)	0.28
Expired	(1,420,000)	0.52
Outstanding, May 31, 2019	13,330,828	0.47
Exercisable, May 31, 2019	7,188,500	$ 0.40

Additional information regarding stock options outstanding and exercisable as at May 31, 2019, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
$ 0.10	420,000	420,000	3.40
$ 0.15	900,000	900,000	3.61
$ 0.23	1,890,000	285,000	4.55
$ 0.25	18,500	18,500	4.21
$ 0.40	3,790,000	3,790,000	3.60
$ 0.50	465,000	453,750	0.65
$ 0.51	282,500	72,500	4.57
$ 0.57	125,028	–	4.96
$ 0.58	1,000,000	–	4.98
$ 0.62	1,673,000	671,250	4.74
$ 0.69	600,000	200,000	4.92
$ 0.70	356,800	–	4.88
$ 0.73	300,000	–	4.77
$ 0.78	1,510,000	377,500	4.73
	13,330,828	7,188,500	4.16

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended May 31, 2019, the Company recognized share-based compensation expense of $1,864,576 (2018 - $2,525,944) in equity reserves, of which $863,498 (2018 - $1,423,980) pertains to directors and officers of the Company. The weighted average fair value of each option granted during the six months ended May 31, 2019, was $0.49 (2018 - $0.54) per share. The weighted average share price for stock options exercised was $0.28 (2018 - $0.04). Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2019	2018
Risk-free interest rate	1.68%	1.69%
Dividend yield	0%	0%
Expected volatility	150%	150%
Expected life (years)	4.87	4.91

As at May 31, 2019, there was $1,750,895 (November 30, 2018 - $170,810) of unrecognized share-based compensation related to unvested stock options.

(Expressed in Canadian Dollars)

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, and equity reserves.

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 six months ended May 31, 2019. The Company is not subject to externally imposed capital requirements.

14. Supplemental Disclosures

	May 31, 2019	May 31, 2018
Non-cash investing and financing activities:		
Fair value of broker's warrants issued as finder's fees	$ 160,720	$ 11,902
Units issued for settlement of accounts payable	$ 958,556	$ –
Shares received as payment for licensing fees	$1,000,000	$2,000,000
Units issued for intangible assets	$ 273,303	$ –

15. Financial Instruments and Risks

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at May 31, 2019, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance May 31, 2019
Cash	$ 1,132,393	$ –	$ –	$ 1,132,393
Marketable securities	–	2,595,673	–	2,595,673
Total assets	$ 1,132,393	$ 2,595,673	$ –	$ 3,728,066

The fair values of other financial instruments, including amounts receivables, 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.

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 accounts receivable from a consulting client and GST receivable due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(Expressed in Canadian Dollars)

15. Financial Instruments and Risks (continued)

Foreign Exchange Rate and Interest Rate Risk

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

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.

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 depends 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

The Company has entered into multiple non-cancellable binding purchase orders for operational items that have yet to be fulfilled as of May 31, 2019, as well as various agreements for warehousing, marketing & investor relations, and consulting. The Company's annual contractual commitments for the next five years related to these items are as follows:

	Payments Due by Period				
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Purchase Commitments	240,702	-	-	-	240,702
Warehousing	5,500	14,000	-	-	19,500
Marketing & IR Contracts	442,958	42,800	-	-	485,758
Consulting Agreements	20,000	10,000	-	-	30,000
Rental Lease	66,467	28,486	-	-	94,953
	775,627	95,286	-	-	870,913

Other Commitments:

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 with a fair value of $180,000, paid an initial payment of $6,000 on the effective date of the agreement, and paid a second payment of $30,000 upon completion of the 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.

16. Commitments (continued)

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.

On October 10, 2017, Urban Juve entered into an agreement to 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.

On December 30, 2017, 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.

On December 19, 2018, the Company, through its wholly-owned 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.

On May 3, 2019, the Company's wholly-owned subsidiary, Urban Juve, entered into a Payment Merchant Agreement for payment services on WeChat Online and Alipay Online. The term of the agreement is three years and will be automatically renewed annually unless terminated by the parties. As consideration, the Company will pay a fee of 2.40% on the total of each purchase transaction by a consumer using WeChat or Alipay.

(Expressed in Canadian Dollars)

17. Segmented Information

The Company has two reporting segments: Licensing & Product Sales, and Consulting. Licensing & Product Sales are aggregated as one segment as they are focused around the same product line and share similar economic characteristics. Performance is measured based on operating income (loss) and net income (loss) before taxes, as management believes that this information is the most relevant in evaluating the results of the operating segments relative to other entities that operate within these industries. Operating income (loss) is calculated as revenue less operating expenses. The Company reports activities not directly attributable to an operating segment under Corporate.

The following is a summary of the Company's results by operating segment for the three and six months ended May 31, 2019 and 2018:

	Licensing and product sales	Consulting	Corporate and other reconciling items	Total
Three months ended May 31, 2019:				
Revenue	$ 1,105,496	$ 71,133	$ –	$ 1,176,629
Operating Income (loss)	366,414	20,900	(4,082,102)	(3,694,788)
Net income (loss) before taxes	230,778	20,900	(4,397,850)	(4,146,172)
Six months ended May 31, 2019:				
Revenue	1,196,756	780,372	–	1,977,128
Operating Income (loss)	(283,507)	402,784	(7,109,785)	(6,990,508)
Net income (loss) before taxes	(703,152)	402,784	(7,635,584)	(7,935,952)
As at May 31, 2019:				
Total assets	2,437,556	701,422	2,957,105	6,096,083
Total liabilities	$(1,166,728)	$ (72,633)	$ (450,651)	$ (1,690,012)

	Licensing and product sales	Consulting	Corporate and other reconciling items	Total
Three months ended May 31, 2018:				
Revenue	$ –	$ –	$ 190,116	$ 190,116
Operating Income (loss)	(343,420)	–	(2,122,379)	(2,465,799)
Net income (loss) before taxes	(343,420)	–	(2,470,249)	(2,813,669)
Six months ended May 31, 2018:				
Revenue	1,800,000	–	198,929	1,998,929
Operating Income (loss)	1,338,031	–	(4,457,365)	(3,119,334)
Net income (loss) before taxes	1,338,031	–	(4,790,048)	(3,452,017)
As at May 31, 2018:				
Total assets	1,168,227	–	3,610,864	4,779,091
Total liabilities	$ (81,066)	$ –	$ (2,174,956)	$ (2,256,022)

17. Segmented Information (continued)

Significant customers

For the three months ended May 31, 2019, the Company had one significant customer in the licensing and product sales segment comprising 85% of the Company's total revenue, resulting from a licensing transaction.

For the six months ended May 31, 2019, the Company had one significant customer in the licensing and product sales segment and one significant customer in the consulting segment, comprising 50.6% and 39.5% respectively, of the Company's total revenue. As at May 31, 2019, the accounts receivable balance outstanding related to these customers was 17.3% and 72.7% respectively.

For the three months ended May 31, 2018, the Company had one significant customer in the corporate segment comprising 92.7% of the Company's total revenue. As at May 31, 2019, the accounts receivable balance outstanding related to this customer was 93.3%.

For the six months ended May 31, 2018, the Company had one significant customer in the licensing and product sales segment comprising of 90.2% of the Company's total revenue.

18. Subsequent Events

On June 7, 2019, the Company entered into debt conversion agreements to settle a total of $32,839 in exchange for 91,219 units. Each unit consisted of one common share and one share purchase warrant which is exercisable at $0.40 per share for a period of 12 months.

On June 21, 2019, the Company granted 70,000 stock options exercisable at $0.335 per share for a period of 5 years.

On July 9, 2019, the Company cancelled 3,000,000 warrants with an exercise price of $3 per share.

On July 10, 2019, the Company entered into debt conversion agreements to settle a total of $19,999 in exchange for 52,628 units. Each unit consisted of one common share and one share purchase warrant which is exercisable at $0.40 per share for a period of 12 months.

On July 10, 2019, the Company entered into a Distribution Agreement with Melorganics Hellas for distribution of the Company’s Urban Juve products in Greece and Cyprus. Pursuant to the Distribution Agreement, Melorganics Hellas will act as the exclusive retail distributor and non-exclusive e-commerce distributor for Urban Juve products in Greece and Cyprus. To maintain exclusivity in the territory, Melorganics must purchase a minimum amount of Urban Juve products of $300,000 in Year 1 and $500,000 in each subsequent year. The initial term of the agreement is three years from the date of first delivery, subject to one-year renewal term if the distributor meets its minimum purchase requirements.

On July 17, 2019, the Company granted a total of 620,000 stock options, which are exercisable at $0.38 per share until July 17, 2024. The stock options vest every 3 months over a 3-year period in 12 equal tranches.

Subsequent to the year ended May 31, 2019, the Company sold a total of 763,500 shares of Loop Insights Inc. for total proceeds of $424,538.