

# **THE YIELD GROWTH CORP.**

## Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended August 31, 2019 and 2018  
(Unaudited)

## THE YIELD GROWTH CORP.

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

	August 31, 2019 (unaudited)	November 30, 2018
<b>ASSETS</b>		
Current assets		
Cash	\$ 613,540	\$ 36,211
Marketable securities (Note 3)	2,393,306	1,811,433
Accounts receivable (Note 9)	754,914	210,529
Inventory (Note 4)	770,608	50,783
Prepaid expenses and other assets (Note 5)	474,038	454,146
Total current assets	5,006,406	2,563,102
Non-current assets		
Marketable Securities (Note 3)	900,000	–
Equipment (Note 6)	153,608	49,243
Intangible assets (Note 7)	441,247	–
Total assets	\$ 6,501,261	\$ 2,612,345
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 1,100,083	\$ 364,140
Due to related parties (Note 9)	1,127	59,554
Deferred revenue (Notes 8 and 9)	482,772	349,858
Total current liabilities	1,583,982	773,552
Non-current liabilities		
Deferred revenue (Note 8)	258,447	509,589
Total liabilities	1,842,429	1,283,141
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	16,689,305	5,449,968
Special warrant reserve	477,204	559,721
Equity reserves	7,968,561	5,420,973
Accumulated other comprehensive income	267,547	836,728
Deficit	(20,743,785)	(10,938,186)
Total shareholders' equity	4,658,832	1,329,204
Total liabilities and shareholders' equity	\$ 6,501,261	\$ 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 October 28, 2019:

/s/ "Penny White"  
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 August 31,		Nine months ended August 31,	
	2019	2018	2019	2018
<b>REVENUE</b>				
Licensing and product sales (Notes 8 and 9)	\$ 1,718,373	\$ 73,973	\$ 2,915,129	\$ 1,873,973
Consulting (Note 9)	177,378	342,677	957,750	541,606
Total revenue	1,895,751	416,650	3,872,879	2,415,579
<b>COST OF PRODUCTS AND SERVICES</b>				
	123,156	–	506,251	–
Gross profit	1,772,595	416,650	3,366,628	2,415,579
<b>EXPENSES</b>				
Advertising, marketing and media	1,535,383	200,129	5,100,654	577,494
Amortization and depreciation (Notes 6 and 7)	33,829	8,006	57,151	15,208
Consulting fees (Note 9)	408,236	363,495	1,160,766	934,477
Distribution and licensing fees	–	10,000	30,000	512,500
Information systems	161,300	308,897	627,250	511,743
Investor relations	148,078	–	308,431	–
Listing fees	1,901	–	167,053	–
Office and administrative (Note 9)	213,224	122,510	657,637	334,279
Product development, research and registration	153,305	75,885	405,171	141,578
Professional fees	146,524	133,987	448,754	462,602
Share-based compensation (Notes 9 and 12)	744,692	892,355	2,609,268	3,418,299
Wages (Note 9)	443,116	264,195	1,167,146	589,542
Total expenses	3,989,588	2,379,459	12,739,281	7,497,722
Net loss before other items	(2,216,993)	(1,962,809)	(9,372,653)	(5,082,143)
<b>OTHER ITEMS</b>				
Impairment of loan receivable	–	–	–	(15,000)
Gain on sale of marketable securities (Note 3)	427,134	–	188,149	71,412
Unrealized loss on marketable securities (Note 3)	(97,730)	(79,503)	(278,390)	(79,503)
Loss from investment in associate	–	(1,694,605)	–	(2,083,700)
Gain (loss) on foreign exchange	17,942	(203)	(4,680)	(203)
Loss on settlement of accounts payable (Note 10)	–	–	(338,025)	–
<b>NET LOSS FOR THE PERIOD</b>	<b>(1,869,647)</b>	<b>(3,737,120)</b>	<b>(9,805,599)</b>	<b>(7,189,137)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Realized gain (loss) on marketable securities (Note 3)	(621,757)	–	(399,274)	(589,030)
Unrealized loss on marketable securities (Note 3)	(244,262)	(28,967)	(169,262)	(28,967)
Unrealized foreign exchange gain (loss)	(429)	–	(645)	–
Comprehensive loss for the period	\$ (2,736,095)	\$ (3,766,087)	\$ (10,374,780)	\$ (7,807,134)
<b>LOSS PER SHARE, BASIC AND DILUTED</b>				
	\$ (0.02)	\$ (0.05)	\$ (0.11)	\$ (0.09)
Weighted average shares outstanding	90,620,000	80,641,000	86,048,000	76,680,000

(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 warrant reserve	Equity reserves	Shares issuable	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
	Number of shares	Amount						
<b>BALANCE, NOVEMBER 30, 2017</b>	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	10,025,000	1,357,237	–	(955,362)	–	–	–	401,875
Shares issued on exercise of warrants	1,580,400	197,550	–	–	–	–	–	197,550
Shares issued for compensation	2,000,000	300,000	–	–	–	–	–	300,000
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	–	–	–	3,418,299	–	–	–	3,418,299
Realized gain (loss) on marketable securities	–	–	–	–	–	(589,030)	–	(589,030)
Other comprehensive loss	–	–	–	–	–	(28,967)	–	(28,967)
Net loss for the period	–	–	–	–	–	–	(7,189,137)	(7,189,137)
<b>BALANCE, AUGUST 31, 2018</b>	<b>83,581,534</b>	<b>5,816,626</b>	<b>559,721</b>	<b>2,599,244</b>	<b>–</b>	<b>(28,967)</b>	<b>(8,419,286)</b>	<b>527,338</b>
<b>BALANCE, NOVEMBER 30, 2018</b>	<b>72,441,534</b>	<b>5,449,968</b>	<b>559,721</b>	<b>5,420,973</b>	<b>–</b>	<b>836,728</b>	<b>(10,938,186)</b>	<b>1,329,204</b>
Units issued for cash	5,731,500	2,740,750	–	–	–	–	–	2,740,750
Share issuance costs	–	(384,795)	–	160,720	–	–	–	(224,075)
Special warrant units issued for cash	–	–	2,286,680	–	–	–	–	2,286,680
Special warrant issuance costs	–	–	(199,998)	99,480	–	–	–	(100,518)
Shares issued on conversion of special warrants	7,127,633	2,169,199	(2,169,199)	–	–	–	–	–
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	786,743	291,611	–	80,866	–	–	–	372,477
Units issued for intangible assets	230,000	170,700	–	102,603	–	–	–	273,303
Units issued to settle accounts payable	1,106,048	659,371	–	299,186	–	–	–	958,557
Fair value of stock options granted	–	–	–	2,609,268	–	–	–	2,609,268
Realized loss on marketable securities	–	–	–	–	–	(399,274)	–	(399,274)
Unrealized loss on marketable securities	–	–	–	–	–	(169,262)	–	(169,262)
Unrealized foreign exchange loss	–	–	–	–	–	(645)	–	(645)
Net loss for the period	–	–	–	–	–	–	(9,805,599)	(9,805,599)
<b>BALANCE, AUGUST 31, 2019</b>	<b>95,922,223</b>	<b>\$ 16,689,305</b>	<b>\$ 477,204</b>	<b>\$ 7,968,561</b>	<b>\$ –</b>	<b>\$ 267,547</b>	<b>\$(20,743,785)</b>	<b>\$ 4,658,832</b>

(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)

	Nine months ended August 31,	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (9,805,599)	\$ (7,189,137)
Items not involving cash:		
Amortization and depreciation	57,151	467,708
Impairment of loan receivable	–	15,000
Gain on sale of marketable securities	(188,149)	(71,412)
Unrealized loss on marketable securities	278,390	79,503
Loss on settlement of accounts payable	338,025	–
Loss from investment in associate	–	2,083,700
Share-based compensation	2,609,268	3,418,299
Shares and warrants received for licensing and distribution rights	(2,700,000)	(2,800,000)
Consulting services paid in shares	16,407	300,000
Consulting services paid in units	372,477	–
Changes in non-cash operating working capital:		
Accounts receivable	(794,385)	(85,558)
Accounts payable and accrued liabilities	1,356,475	431,449
Deferred revenue	(118,228)	953,959
Due to related parties	(58,427)	(162,689)
Inventory	(719,825)	–
Prepaid expenses and other assets	(19,892)	(288,031)
Net cash used in operating activities	(9,376,312)	(2,847,209)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(146,860)	(54,709)
Purchase of intangible assets	(15,000)	–
Proceeds from sale of marketable securities	809,350	102,932
Website development costs	(167,600)	–
Net cash provided by investing activities	479,890	48,223
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares	–	1,442,725
Proceeds from issuance of units	2,740,750	–
Share issuance costs	(224,075)	(117,479)
Proceeds from issuance of special warrants	2,286,680	578,000
Special warrant issuance costs	(100,518)	(27,150)
Proceeds from exercise of stock options	403,000	–
Proceeds from exercise of warrants	4,368,559	–
Net cash provided by financing activities	9,474,396	1,876,096
<b>EFFECT OF FOREIGN EXCHANGE ON CASH</b>	(645)	–
<b>CHANGE IN CASH</b>	577,329	(922,890)
Cash, beginning of period	36,211	1,425,380
<b>CASH, END OF PERIOD</b>	<b>\$ 613,540</b>	<b>\$ 502,490</b>

Supplemental disclosures (Note 14)

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

## THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2019

(Expressed in Canadian Dollars)

(unaudited)

### 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. The company develops, licenses and distributes cannabis, hemp and mushroom infused wellness and beauty, beverage and edible products at various stage of commercialization.

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 \$9,805,599, has used \$9,376,312 of cash for operating activities during the nine months ended August 31, 2019, and has incurred an accumulated deficit of \$20,743,785 as at August 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. (“Urban Juve”), Thrive Activations Inc. (“Thrive”), Wright & Well Essentials Inc. (formerly UJ Topicals Inc.) (“Wright & Well”), UJ Beverages Inc. (“UJ Beverages”) and Yield Botanicals Inc. (“Yield Botanicals”), which were incorporated in the province of British Columbia, Canada, W&W Manufacturing Inc. (formerly Mad Wallaby Distribution Inc.) (“W&W Manufacturing”), which was incorporated in the State of California, United States, and UJ Asia Limited (“UJ Asia”), which was incorporated in Hong Kong. All inter-company balances and transactions have been eliminated on consolidation.

## THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2019

(Expressed in Canadian Dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### Basis of Presentation (continued)

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 accounts receivable, the impairment of inventory, the useful life and carrying value of equipment and intangible assets, impairment of marketable securities, deferred revenue, fair value of share-based compensation, and measurement of unrecognized deferred income tax assets.

The portion of deferred revenue that requires the use of estimates relates to a licensing and distribution agreement (Note 8(g)) with 2699598 Ontario Corp. DBA Melorganics Hellas ("Melorganics"), whereby management used its best estimate to allocate a portion of the revenue to providing Melorganics with know how to manufacture.

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.

Significant areas requiring the use of judgments made by management also include website development costs which related to the development of e-commerce websites for Urban Juve and Wright & Well. Management's judgment is that the websites will realize significant economic benefit to justify the capitalization of all costs relating to their development. All operational website costs incurred after their launch will be expensed as incurred. Urban Juve website costs are being amortized on a straight-line basis over an estimated useful life of 3 years. Website costs for the Wright & Well website are not being amortized as it is not yet ready for use. Amortization will commence once the website launches.

#### Reclassification of Prior Year Presentation

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

## THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2019

(Expressed in Canadian Dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### Application of New and Revised Accounting Standards

##### (a) IFRS 9 - Financial Instruments ("IFRS 9")

The Company adopted all the requirements of IFRS 9 on December 1, 2018. IFRS 9 replaces *IAS 39, Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL). Under IFRS 9, the Company has irrevocably elected to present subsequent changes in the fair value of our equity investments that are neither held-for-trading nor contingent consideration arising from a business combination in other comprehensive income with no reclassification of net gains and losses to net income. For these equity investments, any impairment on the instrument will be recorded in other comprehensive income, and cumulative gains or losses in other comprehensive income will not be reclassified into net income, including upon disposal.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

#### Classification and subsequent measurement

The Company completed a detailed assessment of its financial assets and liabilities as at December 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<u>Financial instrument</u>	<u>Original Classification IAS 39</u>	<u>New Classification IFRS 9</u>
Cash & cash equivalents	FVTPL	Amortized cost
Amounts receivable	Loans & receivables	Amortized cost
Marketable securities (shares)	Available-for-sale	FVTOCI <sup>1</sup>
Marketable securities (warrants)	Held-for-trading	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

<sup>1</sup> Subsequently measured at fair value. Dividends, if any, will be recognized as income in the statement of operations and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of loss and comprehensive loss.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on December 1, 2018.

##### (b) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

On December 1, 2018, the Company adopted the requirements of IFRS 15. IFRS 15 covers principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company elected to apply IFRS 15 using a full retrospective approach. The Company has completed its assessment and there was no significant impact on the recognition or measurement of the Company's revenue from customers.



## THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2019

(Expressed in Canadian Dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### 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.

#### *IFRS 16 - Leases* (“IFRS 16”)

The Company has not early adopted this new standard and as of August 31, 2019, there is no material impact expected 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.

### 3. Marketable Securities

#### Active Pay Shares:

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.

#### CROP Shares/Warrants:

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(a)). 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 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.

During the year ended November 30, 2018, the Company sold 2,642,000 shares for total proceeds of \$988,065. During the nine months ended August 31, 2019, the Company sold its remaining 1,108,000 shares for total proceeds of \$343,598. The Company holds a balance of 1,250,000 CROP warrants as at August 31, 2019.

## THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2019

(Expressed in Canadian Dollars)

(unaudited)

### 3. Marketable Securities (continued)

#### Loop Shares:

On February 9, 2018, the Company entered into a licensing and distribution agreement with Loop Insights Inc. ("Loop"), whereby the Company sublicensed technology to Loop for an initial term of one year. As consideration for the sublicense, the Company received 4,000,000 common shares of Loop with a fair value of \$1,000,000. In addition, the Company 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. On October 30, 2018, the Company entered into a Termination and Release Agreement with Loop for the termination of the licensing and distribution agreement, whereby its investment was reduced from 11,200,000 common shares to 1,500,000 common shares of Loop. The Company received a termination fee of \$250,000 in cash from Loop in consideration for the return of shares. 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 and was recorded as Marketable Securities.

During the nine months ended August 31, 2019, the Company sold 880,500 shares for total proceeds of \$465,752. At August 31, 2019, the remaining 619,500 shares of Loop had a fair value of \$170,363.

#### HeyBryan Shares:

During the nine months ended August 31, 2019, the Company received 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 as a bonus for services rendered. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.90 per share for a period of two years. All shares are being held as of August 31, 2019.

#### Antler Shares:

During the nine months ended August 31, 2019, the Company received 9,000,000 common shares of Antler Retail Inc. ("Antler Retail") pursuant to two License Agreements (Note 8(c) & (e)). All shares are being held as of August 31, 2019.

#### Melorganics Shares:

On August 28, 2019, the Company received 9,000,000 units of 2699598 Ontario Corp. DBA Melorganics Hellas ("Melorganics") pursuant to a License & Distribution Agreement (Note 8(g)). Each unit consists of one common share and one share purchase warrant exercisable at \$0.40 per share for a period of two years. All shares are being held as of August 31, 2019.

## THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2019

(Expressed in Canadian Dollars)

(unaudited)

### 3. Marketable Securities (continued)

	November 30, 2018 fair value	Additions	Proceeds from sale	Realized loss on sale	Unrealized gain (loss)	August 31, 2019 fair value
Current Assets:						
Active Pay	\$ 30,000	\$ –	\$ –	\$ –	\$ 75,000	\$ 105,000
CROP–Shares	360,100	–	(343,598)	(16,502)	–	–
CROP–Warrants	296,333	–	–	–	(278,390)	17,943
Loop	1,125,000	–	(465,752)	(194,623)	(294,262)	170,363
HeyBryan	–	250,000	–	–	50,000	300,000
Antler Retail	–	1,800,000	–	–	–	1,800,000
	<u>\$ 1,811,433</u>	<u>\$ 2,050,000</u>	<u>\$ (809,350)</u>	<u>\$ (211,125)</u>	<u>\$ (447,652)</u>	<u>\$ 2,393,306</u>
Non-current Assets:						
Melorganics	–	900,000	–	–	–	900,000
Total	<u>\$ 1,811,433</u>	<u>\$ 2,950,000</u>	<u>\$ (809,350)</u>	<u>\$ (211,125)</u>	<u>\$ (447,652)</u>	<u>\$ 3,293,306</u>

### 4. Inventory

	August 31, 2019	November 30, 2018
Finished goods	\$ 213,916	\$ 12,749
Packaging	517,755	38,034
Product samples & marketing materials	38,937	–
	<u>\$ 770,608</u>	<u>\$ 50,783</u>

During the nine months ended August 31, 2019, cost of revenues includes inventory costs of \$17,681 (2018 - \$nil), and no inventory was written down (2018 - \$nil).

### 5. Prepaid Expenses and Other Assets

	August 31, 2019	November 30, 2018
Prepaid services	\$ 155,534	\$ 64,312
Deposits	318,504	389,834
	<u>\$ 474,038</u>	<u>\$ 454,146</u>

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### 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	23,307	109,746	–	13,807	146,860
Balance, August 31, 2019	88,804	112,338	2,378	13,807	217,327
Accumulated depreciation:					
Balance, November 30, 2018	20,297	648	279	–	21,224
Additions	29,476	11,425	357	1,237	42,495
Balance, August 31, 2019	49,773	12,073	636	1,237	63,719
Carrying amounts:					
As at November 30, 2018	\$ 45,200	\$ 1,944	\$ 2,099	\$ –	\$ 49,243
As at August 31, 2019	\$ 39,031	\$ 100,265	\$ 1,742	\$ 12,570	\$ 153,608

### 7. Intangible Assets

	Product Formulations	Website Development Costs	Total
Cost:			
Balance, November 30, 2018	\$ –	\$ –	\$ –
Additions	288,303	167,600	455,903
Balance, August 31, 2019	288,303	167,600	455,903
Accumulated depreciation:			
Balance, November 30, 2018	–	–	–
Additions	–	14,656	14,656
Balance, August 31, 2019	–	14,656	14,656
Carrying amounts:			
As at November 30, 2018	\$ –	\$ –	\$ –
As at August 31, 2019	\$ 288,303	\$ 152,944	\$ 441,247

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.

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### 7. Intangible Assets (continued)

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 related to the development of an e-commerce website for the sale of products, which was launched on May 7, 2019. Website development costs are amortized over a useful life of 3 years.

### 8. License and Distribution Agreements

- (a) 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 August 31, 2019, \$592,694 (November 30, 2018 – \$842,922) of the initial fee was included in deferred revenue which includes \$258,447 (November 30, 2018 – \$509,589) recorded as non-current deferred revenues.
- (b) On December 19, 2018, the Company, through its wholly-owned subsidiary Wright & Well Essentials 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 ("Wright & Well Line"). In addition, the Company appointed Nova Paths as its exclusive distributor for the Wright & Well Line in Oregon. Under the terms of the agreements, Nova Paths will retain a fee of 25% of the wholesale revenues from sales of Wright & Well products and pay the balance of wholesale revenue, less certain expenses, to Wright & Well Essentials Inc.
- (c) 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 is 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.
- (d) On July 10, 2019, the Company entered into a distribution agreement with 2699598 Ontario Corp. DBA Melorganics Hellas ("Melorganics"), whereby the Company granted Melorganics the right to distribute the Urban Juve line of cosmetic products in Greece and Cyprus. Pursuant to the distribution agreement, Melorganics is required to make the following annual minimum purchases from the Company: \$300,000 in the first full contract year, \$500,000 in the second full contract year and \$500,000 in the third full contract year.

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### 8. License and Distribution Agreements (continued)

- (e) On July 31, 2019, the Company entered into a license agreement with Antler Retail, a related party, whereby the Company granted an indefinite non-exclusive license for 8 product formulas to Antler Retail for sale world-wide excluding only the United States. Pursuant to the license agreement, the Company received 4,000,000 common shares of Antler Retail, with a fair value of \$800,000. 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 Retail using the licensed formulas.
- (f) On August 14, 2019, the Company entered into a distribution agreement with Antler Retail whereby the Company was granted a non-exclusive right to distribute Antler Real Men products worldwide to retailers and distribution companies for a term of 10 years. Pursuant to the distribution agreement, the Company shall receive a fee of 10% of revenues received by Antler Retail from third-party distribution agreements and retail agreements for the sale of the products.
- (g) On August 25, 2019, the Company entered into a license & distribution agreement with Melorganics, whereby the Company granted a non-exclusive license for 6 formulas, and know how to manufacture products based on those formulas, to Melorganics for sale worldwide. Pursuant to this license, the Company received 9,000,000 units of Melorganics, with a fair value of \$900,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 per share for a period of two years. As of August 31, 2019, \$90,000 (November 30, 2018 – \$nil) of the fee was allocated to know how and was included in deferred revenue to be recognized over one year.

In the same agreement with Melorganics, there was a short form distribution agreement, which was superseded by a long form distribution agreement on September 25, 2019, whereby the Company granted Melorganics the exclusive right to distribute the Wright & Well brand of CBD products in Greece and Cyprus for a term of three years. Pursuant to the distribution agreement, the term of the agreement shall commence once at least 3 Wright & Well products are registered for sale within the European Union, after which \$100,000 will be payable in cash or in units of Melorganics to the Company.

- (h) On August 27, 2019, the Company entered into a distribution agreement with Organic Medical Growth OMG3 Inc. ("OMG3 Inc."), whereby the Company granted OMG3 Inc. the exclusive right to distribute the Urban Juve line of cosmetic products in Colombia and Brazil for 5 years. Pursuant to the distribution agreement, OMG3 Inc. is required to make the following annual minimum purchases from the Company: \$500,000 in the first contract year, \$1,000,000 in the second contract year, \$2,000,000 in the third contract year, and annual minimum purchase requirements shall increase by 5% each subsequent year thereafter.

### 9. Related Party Transactions

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

	August 31, 2019	August 31, 2018
Consulting fees	\$ 271,500	\$ 945,706
Wages	487,084	163,424
Office and administration	–	4,500
Share-based compensation	1,229,341	1,735,374
	<u>\$ 1,987,925</u>	<u>\$ 2,849,004</u>

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### 9. Related Party Transactions (continued)

As at August 31, 2019, the Company owed \$547 (November 30, 2018 – \$5,424) to the President and CEO of the Company, which is included in due to related parties, and is unsecured, non-interest bearing, and due on demand.

As at August 31, 2019, the Company owed \$16,625 (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 August 31, 2019, the Company owed \$3,080 (November 30, 2018 - \$580), of which \$2,500 (November 30, 2018 - \$nil) 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 nine months ended August 31, 2019, the Company recognized licensing revenue of \$1,800,000 (2018 - \$nil) from a company where the President and CEO of the Company and another director of the Company are directors and significant shareholders (Note 8(c) & (e)). As at August 31, 2019, the Company was owed \$40,000 (November 30, 2018 - \$nil) in GST from the related company pursuant to a License Agreement (Note 8(e)), which is included in accounts receivable, and held a deposit of \$42,000 (November 30, 2018 - \$nil) for the purchase of products and a retainer of \$6,525 (November 30, 2018 - \$6,525) from the related company, which are included in deferred revenue.

During the nine months ended August 31, 2019, the Company recognized consulting revenue of \$957,750 (2018 - \$762,742) from a company with common directors and officers and where the President and CEO of the Company is a significant shareholder. As at August 31, 2019, the Company was owed \$393,700 (November 30, 2018 - \$61,739) from the related company, which was subsequently paid on October 2, 2019, 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.

- (a) On 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 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.
- (b) 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 exercisable at \$0.50 per share for a period of six months.
- (c) The Company issued 1,455,000 common shares for proceeds of \$403,000 pursuant to the exercise of stock options. The fair value of the stock options of \$466,926 was transferred from equity reserves to share capital upon exercise.

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### 10. Share Capital (continued)

- (d) The Company issued 6,995,509 common shares for proceeds of \$4,368,559 pursuant to the exercise of share purchase warrants and agents' warrants. The fair value of the warrants of \$337,609 was transferred from equity reserves to share capital upon exercise.
- (e) The Company issued 7,127,633 common shares pursuant to the conversion of 7,127,633 special warrants. The fair value of the warrants of \$2,169,199 was transferred from special warrants reserves to share capital upon exercise.
- (f) The Company issued the following in exchange for services:
  - i) The Company issued 48,256 shares to a service provider in exchange for services with fair value of \$16,407.
  - ii) The Company issued 28,720 units to service providers in exchange for services with fair value of \$20,104. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.80 per share for a period of six months.
  - iii) The Company issued 200,000 units to a service provider in exchange for services with fair value of \$114,289. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.34 per share for a period of five years.
  - iv) The Company issued 310,293 units to service providers in exchange for services with fair value of \$105,500. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.40 per share for a period of six months.
  - v) The Company issued 26,250 units to a service provider in exchange for services with fair value of \$10,500. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.50 per share for a period of six months.
  - vi) The Company issued 5,375 units to a service provider in exchange for services with fair value of \$3,333. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.62 per share for a period of one year.
  - vii) The Company issued 117,532 units to service providers in exchange for services with fair value of \$42,838. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.40 per share for a period of one year.
  - viii) The Company issued 32,258 units with a fair value of \$31,024 to employees in exchange for services. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.62 per share for a period of one year.
  - ix) The Company issued 40,000 units with a fair value of \$29,725 to employees in exchange for services. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.57 per share for a period of one year.
  - x) The Company issued 26,315 units with a fair value of \$15,164 to employees in exchange for services. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.40 per share for a period of one year.



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### 10. Share Capital (continued)

(g) The Company issued the following for acquisition of assets:

- i) The Company issued 200,000 units with fair value of \$251,008 for the acquisition of wellness beverage formulas (Note 7). Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.60 per share for a period of one year.
- ii) The Company issued 30,000 units with a fair value of \$22,295 for the acquisition of edible product formulas (Note 7). Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.57 per share for a period of one year.

(h) The Company issued the following to settle accounts payable:

- i) 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 exercisable at \$0.50 per share for a period of six months.
- ii) The Company issued 288,128 units with a fair value of \$294,659 to settle debt of \$201,690, resulting in a loss on settlement of debt of \$92,969. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.80 per share for a period of six months.
- iii) The Company issued 178,532 units with a fair value of \$187,538 to settle debt 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 exercisable at \$0.70 per share for a period of one year.
- iv) The Company issued 93,850 units with a fair value of \$82,923 to settle debt 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 exercisable at \$0.70 per share for a period of six months.
- v) The Company issued 414,288 units with a fair value of \$307,889 to settle debt 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 exercisable at \$0.57 per share for a period of one year.

### 11. Share Purchase Warrants

On August 7, 2019, the Company issued 5,914,933 special warrants at a price of \$0.30 per special warrant for total proceeds of \$1,774,480. Each special warrant is exercisable without payment of additional consideration for one Unit ("Unit") of the Company, each Unit consisting of one common share and one share purchase warrant exercisable at \$0.35 per share for a period of two years. Pursuant to the special warrant issuance, the Company paid finder's fees of \$80,448 and issued 268,160 finder's options. Each finder's option is exercisable without payment of additional consideration for one finder's warrant, exercisable at \$0.30 per Unit for a period of two years. The Units and finder's warrants were qualified for distribution on August 15, 2019, and were issued upon the deemed exercise of these special warrants and finder's options.

On August 29, 2019, the Company issued 1,707,332 special warrants at a price of \$0.30 per special warrant for total proceeds of \$512,200. Each special warrant is exercisable without payment of additional consideration for one Unit, each Unit consisting of one common share and one share purchase warrant exercisable at \$0.35 per share for a period of two years. Pursuant to the special warrant issuance, the Company paid finder's fees of \$20,070 and issued 66,900 finder's options. Each finder's option is exercisable without payment of additional consideration for one finder's warrant, exercisable at \$0.30 per Unit for a period of two years. The Units and finder's warrants were subsequently qualified for distribution on September 6, 2019, and were issued upon the deemed exercise of these special warrants and finder's options.

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### 11. Share Purchase Warrants (continued)

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	14,485,534	0.63
Exercised	(6,995,509)	0.62
Expired	(3,343,098)	2.77
Balance, August 31, 2019	32,641,121	\$ 1.58

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

Number of warrants outstanding	Exercise price	Expiry date
280,000	\$ 0.75	October 20, 2019
93,850	\$ 0.70	October 29, 2019
437,200	\$ 0.80	December 14, 2019
13,000,828	\$ 3.00*	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
91,219	\$ 0.40	June 7, 2020
16,000	\$ 0.50	July 9, 2020
316,700	\$ 1.00	July 9, 2020
52,628	\$ 0.40	July 10, 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 13, 2020
4,481,500	\$ 1.10	December 14, 2020
5,914,933	\$ 0.35	August 7, 2021
268,160	\$ 0.30	August 7, 2021
5,460,000	\$ 0.50	October 30, 2023
200,000	\$ 0.34	January 3, 2024
32,641,121		

\* 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.

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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, 2018	8,361,000	\$ 0.36
Granted	8,534,828	0.54
Exercised	(1,455,000)	0.28
Expired	(2,072,500)	0.50
Outstanding, August 31, 2019	13,368,328	0.46
Exercisable, August 31, 2019	8,495,019	\$ 0.43

Additional information regarding stock options outstanding and exercisable as at August 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	3.15
\$ 0.15	900,000	900,000	3.36
\$ 0.23	1,890,000	820,000	4.30
\$ 0.25	18,500	18,500	3.96
\$ 0.31	70,000	-	4.82
\$ 0.38	620,000	-	4.88
\$ 0.40	3,540,000	3,540,000	3.49
\$ 0.50	65,000	62,500	3.89
\$ 0.51	280,000	140,000	4.36
\$ 0.57	125,028	10,419	4.70
\$ 0.58	1,000,000	-	4.73
\$ 0.62	1,673,000	971,500	4.49
\$ 0.69	600,000	600,000	4.67
\$ 0.70	356,800	132,100	4.63
\$ 0.73	300,000	125,000	4.52
\$ 0.78	1,510,000	755,000	4.48
	13,368,328	8,495,019	4.12

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the nine months ended August 31, 2019, the Company recognized share-based compensation expense of \$2,609,268 (2018 - \$3,418,299) in equity reserves, of which \$1,229,341 (2018 - \$1,735,376) pertains to directors and officers of the Company. The weighted average fair value of each option granted during the nine months ended August 31, 2019, was \$0.44 (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:

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### 12. Stock Options (continued)

	2019	2018
Risk-free interest rate	1.59%	1.99%
Dividend yield	0%	0%
Expected volatility	150%	150%
Expected life (years)	4.82	4.79

As at August 31, 2019, there was \$778,031 (November 30, 2018 - \$170,810) of unrecognized share-based compensation related to unvested stock options.

### 13. Capital Management

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, 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 nine months ended August 31, 2019. The Company is not subject to externally imposed capital requirements.

### 14. Supplemental Disclosures

	August 31, 2019	August 31, 2018
Non-cash investing and financing activities:		
Fair value of broker's warrants issued as finder's fees	\$ 260,200	\$ 31,381
Units issued for settlement of accounts payable	\$ 958,557	\$ –
Special warrants issued for settlement of accounts payable	\$ –	\$ 28,350
Shares received as payment for licensing fees	\$ 2,700,000	\$ 3,000,000
Shares received for settlement of accounts receivable	\$ 250,000	\$ –
Units issued for intangible assets	\$ 273,303	\$ –
Reclassification of equity reserves for exercise of options & warrants	\$ 804,535	\$ 955,362

### 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 August 31, 2019, as follows:

	Fair Value Measurements Using			Balance August 31, 2019
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash	\$ 613,540	\$ –	\$ –	\$ 613,540
Marketable securities	–	3,293,306	–	3,293,306
Total assets	\$ 613,540	\$ 3,293,306	\$ –	\$ 3,906,846

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### 15. Financial Instruments and Risks (continued)

The fair values of other financial instruments, including accounts receivable, accounts payable and accrued liabilities, and amounts due 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. Accounts 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.

#### Foreign Exchange Rate and Interest Rate Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	August 31, 2019	November 30, 2018
	USD	USD
Cash	\$ 6,700	\$ 6,681
Accounts payable and accrued liabilities	(134,669)	(22,785)
Net exposure	\$ (127,969)	\$ (16,104)
Canadian dollar equivalent	\$ (170,135)	\$ (21,420)

The Company is not exposed to any significant 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.

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### 16. Commitments

The Company has entered into multiple non-cancellable binding purchase orders for operational items that have yet to be fulfilled as of August 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				Total
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	
Purchase Commitments	406,208	-	-	-	406,208
Warehousing	4,000	14,000	-	-	18,000
Marketing & IR Contracts	105,490	-	-	-	105,490
Consulting Agreements	10,000	10,000	-	-	20,000
Rental Lease	38,513	29,150	-	-	67,663
	564,211	53,150	-	-	617,361

#### 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.

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.

## THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2019

(Expressed in Canadian Dollars)

(unaudited)

### 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 nine months ended August 31, 2019 and 2018:

	Licensing and product sales	Consulting	Corporate and product development	Reconciling items	Total
Three months ended August 31, 2019:					
Revenue	\$ 1,718,373	\$ 177,378	\$ 330,000	\$ (330,000)	\$ 1,895,751
Net income (loss) before taxes	488,401	(86,921)	(2,271,127)	–	(1,869,647)
Nine months ended August 31, 2019:					
Revenue	2,915,129	957,750	990,000	(990,000)	3,872,879
Net income (loss) before taxes	(610,205)	15,863	(9,211,257)	–	(9,805,599)
As at August 31, 2019:					
Total assets	3,153,990	695,471	2,651,800	–	6,501,261
Total liabilities	(1,129,396)	(168,603)	(544,430)	–	(1,842,429)

	Licensing and product sales	Consulting	Corporate and product development	Reconciling items	Total
Three months ended August 31, 2018:					
Revenue	\$ 73,973	\$ 342,677	\$ 240,000	\$ (240,000)	\$ 416,650
Net income (loss) before taxes	(733,594)	20,630	(3,024,156)	–	(3,737,120)
Nine months ended August 31, 2018:					
Revenue	1,873,973	541,606	720,000	(720,000)	2,415,579
Net income (loss) before taxes	244,437	(99,370)	(7,334,204)	–	(7,189,137)
As at August 31, 2018:					
Total assets	1,436,211	158,732	2,140,270	–	3,735,213
Total liabilities	(931,611)	(78,102)	(2,198,162)	–	(3,207,875)

## THE YIELD GROWTH CORP.

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### 17. Segmented Information (continued)

#### Significant customers

For the three months ended August 31, 2019, the Company had two significant customers in the licensing and product sales segment comprising 85% of the Company's total revenue, resulting from licensing transactions.

For the nine months ended August 31, 2019, the Company had two significant customers in the licensing and product sales segment comprising 67% of the Company's total revenues and one significant customer in the consulting segment comprising 25% of the Company's total revenue.

As at August 31, 2019, the Company has one significant accounts receivable balance outstanding relating to the consulting segment, comprising 87% of the Company's total accounts receivable.

For the three months ended August 31, 2018, the Company had one significant customer in the consulting segment, one significant customer in the corporate segment and one significant customer in the licensing and product sales segment, comprising 50%, 29% and 18% of the Company's total revenue respectively.

For the nine months ended August 31, 2018, the Company had one significant customer in the licensing and product sales segment and one significant customer in the corporate segment comprising of 88% of the Company's total revenue respectively.

As at August 31, 2018, the Company had one significant accounts receivable balance outstanding relating to the corporate segment, comprising 87% of the Company's total accounts receivable.

### 18. Subsequent Events

On September 9, 2019, the Company entered into a Distribution Agreement with Peak Performance Products Inc. for the distribution of Urban Juve products in Canada for a term of 2 years.

On September 12, 2019, the Company granted 40,000 stock options to a consultant, which are exercisable at \$0.27 per share until September 12, 2024. The stock options will be fully vested 4 months after the grant date.

On September 13, 2019, the Company issued 1,400,000 special warrants at a price of \$0.25 per special warrant for aggregate proceeds of \$350,000. Each special warrant is exercisable without payment of additional consideration for one unit of the Company, each unit consisting of one common share in the capital of the Company and one share purchase warrant exercisable at \$0.37 for a period of two years from the date of issuance for an additional common share in the capital of the Company. These units were qualified for distribution upon the deemed exercise of the special warrants on September 20, 2019.

On September 18, 2019, a new wholly-owned subsidiary, Flourish Mushroom Labs Inc. ("Flourish Labs"), was incorporated in the province of British Columbia, Canada.

On September 24, 2019, the Company and Flourish Labs entered into an acquisition agreement with third parties for the purchase of mushroom formulations and know-how and data related to the formulations for 120,000 common shares of Yield Growth. The acquisition was completed on October 3, 2019.



## THE YIELD GROWTH CORP.

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### 18. Subsequent Events (continued)

On October 7, 2019, the Company issued 2,090,500 special warrants at a price of \$0.25 per special warrant for aggregate proceeds of \$522,625. Each special warrant is exercisable without payment of additional consideration for one unit of the Company, each unit consisting of one common share in the capital of the Company and one share purchase warrant exercisable at \$0.30 for a period of two years from the date of issuance for an additional common share in the capital of the Company. These units were qualified for distribution upon the deemed exercise of the special warrants on October 11, 2019.

On October 10, 2019, the Company granted 148,000 stock options to an employee and a consultant, which are exercisable at \$0.25 per share until October 10, 2024. The stock options vest every 3 months over a 3-year period in 12 equal tranches.

On October 21, 2019, we granted 500,000 stock options to a new employee, which are exercisable at \$0.34 per share until October 21, 2024. The stock options vest every 3 months over a 3-year period in 12 equal tranches.

On October 21, 2019, we granted 100,000 stock options to a consultant, which are exercisable at \$0.34 per share until October 21, 2024. The stock options vest immediately upon grant.

Subsequent to the period ended August 31, 2019, the Company issued 382,560 shares pursuant to the exercise of options and warrants for total proceeds of \$89,268.