THE
YIELD
GROWTH
CORP.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended February 29, 2020 and February 28, 2019
(Unaudited)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of The Yield Growth Corp. for the period ending February 29, 2020 have been prepared by management in accordance with International Financial Reporting Standards and approved by the Audit Committee and Board of Directors of the Company. These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's independent auditor.

THE YIELD GROWTH CORP.

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

	February 29, 2020 (unaudited)	November 30, 2019
ASSETS		
Current assets		
Cash	$ 7,047	$ 145,140
Marketable securities (Note 3)	136,481	130,614
Accounts receivable, net of allowance of $119,844 and $nil, respectively (Note 10)	495,468	595,892
Inventory (Note 4)	719,244	663,659
Prepaid expenses and deposits	494,897	348,631
Total current assets	1,853,137	1,883,936
Non-current assets		
Marketable securities (Note 3)	750,000	–
Investment in associate (Note 5)	1,616,299	1,240,001
Right-of-use asset (Note 8)	185,666	–
Equipment (Note 6)	122,423	144,363
Intangible assets (Note 7)	150,432	161,803
Total non-current assets	2,824,820	1,546,167
Total assets	$ 4,677,957	$ 3,430,103
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	$ 912,146	$ 1,496,400
Due to related parties (Note 10)	493	579
Deferred revenue (Notes 9 and 10)	593,636	478,654
Lease liability (Note 8)	47,754	–
Total current liabilities	1,554,029	1,975,633
Non-current liabilities		
Deferred revenue (Note 9)	366,406	175,342
Lease liability	187,536	–
Total non-current liabilities	553,942	175,342
Total liabilities	2,107,971	2,150,975
SHAREHOLDERS' EQUITY		
Share capital	22,035,387	19,277,871
Shares issuable (Note 11)	58,600	50,600
Subscriptions received	39,053	–
Equity reserves	8,554,876	7,966,429
Accumulated other comprehensive income (loss)	(538)	(826)
Deficit	(28,806,876)	(26,121,149)
Total shareholder' equity available to The Yield Growth Corp. shareholders	1,880,502	1,172,925
Equity attributable to non-controlling interest	689,484	106,203
Total shareholders' equity	2,569,986	1,279,128
Total liabilities and shareholders' equity	$ 4,677,957	$ 3,430,103

Nature of operations and continuance of business (Note 1)
Commitments (Note 8 and 17)
Subsequent events (Note 19)

Approved and authorized for issuance on behalf of the Board of Directors on April 29, 2020:

/s/ "Penny White"
Director

/s/ "Spiros Margaris"
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 February 29, 2020	Three months ended February 28, 2019
REVENUE		
Licensing and product sales (Notes 9 and 10)	$ 134,395	$ 91,259
Consulting (Note 10)	860	709,239
Total revenue	135,255	800,498
COST OF PRODUCTS AND SERVICES		
Cost of licensing and product sales	$ 17,283	$ 1,447
Cost of consulting services	692	–
Total cost of products and services	17,975	1,447
Gross profit	117,280	799,051
EXPENSES		
Advertising, marketing, and media	583,173	1,816,225
Amortization and depreciation (Notes 6, 7 and 8)	48,364	9,157
Consulting fees (Note 10)	720,400	928,821
Distribution and licensing fees	–	30,000
Information systems	64,875	302,950
Investor relations	97,100	–
Listing fees	11,012	138,668
Office and administrative	158,593	196,133
Product development, research, and registration	132,915	3,035
Professional fees	71,365	90,412
Share-based compensation (Notes 10 and 13)	450,795	408,927
Wages (Note 10)	505,572	309,243
Total expenses	2,844,164	4,233,571
Net loss before other items	(2,726,884)	(3,434,520)
OTHER ITEMS		
Loss on sale of marketable securities (Note 3)	(4,293)	(238,985)
Unrealized gain (loss) on marketable securities (Note 3)	(3,203)	(45,024)
Loss from investment in associate (Note 6)	(38,701)	–
Loss on foreign exchange	(7,217)	(6,043)
Gain (loss) on settlement of accounts receivable (Note 3)	17,784	–
Gain (loss) on settlement of accounts payable (Note 11)	63,575	(65,208)
Total other items	27,945	(355,260)
NET LOSS FOR THE PERIOD	(2,698,939)	(3,789,780)
OTHER COMPREHENSIVE INCOME (LOSS)		
Realized loss on marketable securities	–	222,483
Unrealized gain on marketable securities	–	75,000
Unrealized foreign exchange loss	288	–
Comprehensive loss for the period	$ (2,698,651)	$ (3,492,297)
Net loss attributable to:		
Shareholders of the Company	(2,654,407)	(3,789,780)
Non-controlling interest	(44,532)	–
Net loss for the period	$ (2,698,939)	$ (3,789,780)
Comprehensive loss attributable to:		
Shareholders of the Company	(2,654,119)	(3,492,297)
Non-controlling interest	(44,532)	–
Comprehensive loss for the period	$ (2,698,651)	$ (3,492,297)
LOSS PER SHARE ATTRIBUTABLE TO THE YIELD GROWTH CORP. SHAREHOLDERS, BASIC AND DILUTED	$ (0.02)	$ (0.04)
Weighted average shares outstanding used in the calculation of net loss attributable to The Yield Growth Corp. per common share	110,497,000	79,474,000

(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		Non-	Total
	Number of shares	Amount	warrants reserve	Equity reserves	Shares issuable	Subscriptions received	comprehensive income (loss)	Deficit	controlling interest	shareholders' equity
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	980,000	582,129	–	(321,629)	–	–	–	–	–	260,500
Shares issued on exercise of warrants	5,455,509	3,689,937	–	(91,379)	–	–	–	–	–	3,598,558
Shares issued to settle accounts payable	48,256	14,477	–	–	–	–	–	–	–	14,477
Units issued for compensation	200,000	60,000	–	54,289	–	–	–	–	–	114,289
Units issued for intangible assets	200,000	156,000	–	95,008	–	–	–	–	–	251,008
Units issued to settle accounts payable	784,641	457,433	–	–	–	–	–	–	–	457,433
Fair value of stock options granted	–	–	–	408,927	–	–	–	–	–	408,927
Realized loss on marketable securities	–	–	–	–	–	–	222,483	–	–	222,483
Other comprehensive loss	–	–	–	–	–	–	75,000	–	–	75,000
Net loss for the period	–	–	–	–	–	–	–	(3,789,780)	–	(3,789,780)
Balance, February 28, 2019	87,054,140	$ 13,325,620	$ –	$ 5,726,909	$ –	$ –	$ 1,134,211	$ (14,727,966)	$ –	$ 5,458,774
BALANCE, NOVEMBER 30, 2019	105,266,019	$ 19,277,871	$ –	$ 7,966,429	$ 50,600	$ –	$ (826)	$ (26,121,149)	$ 106,203	$ 1,279,128
Adjustments to equity upon adoption of IFRS 16	–	–	–	–	–	–	–	(43,663)	–	(43,663)
Units issued for cash	1,000,000	190,000	–	60,000	–	–	–	–	–	250,000
Special warrant units issued for cash	–	–	1,341,283	–	–	–	–	–	–	1,341,283
Shares issued on conversion of special warrants	7,066,494	1,302,697	(1,393,783)	91,086	–	–	–	–	–	–
Shares issued on exercise of stock options	120,000	20,194	–	(8,194)	–	–	–	–	–	12,000
Shares issued on exercise of warrants	2,796,332	562,500	–	–	–	–	–	–	–	562,500
Shares issued for consulting services	–	–	–	–	8,000	–	–	–	–	8,000
Special warrants issued to settle accounts payable	–	–	52,500	–	–	–	–	–	–	52,500
Subscriptions received	–	–	–	–	–	35,000	–	–	–	35,000
Fair value of stock options granted	–	–	–	262,936	–	–	–	–	–	262,936
Unrealized foreign exchange loss	–	–	–	–	–	–	288	–	–	288
Net loss for the period	–	–	–	–	–	–	–	(2,654,407)	(44,532)	(2,698,939)
Change in equity of subsidiary	–	682,125	–	182,619	–	4,053	–	12,343	–	881,140
Equity attributable to non-controlling interest	–	–	–	–	–	–	–	–	627,813	627,813
BALANCE, FEBRUARY 29, 2020	116,248,845	$ 22,035,387	$ –	$ 8,554,876	$ 58,600	$ 39,053	$ (538)	$ (28,806,876)	$ 689,484	$ 2,569,986

(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)

	Three months ended February 29, 2020	Three months ended February 28, 2019
OPERATING ACTIVITIES		
Net loss	$ (2,698,939)	$ (3,789,780)
Items not involving cash:		
Amortization of intangible assets	11,371	–
Consulting services paid in shares	18,500	–
Consulting services paid in units	52,500	114,289
Depreciation	36,993	9,157
Loss (gain) on sale of marketable securities	4,293	238,985
Interest expense on lease liability	7,241	–
Loss from investment in associate	38,701	–
Loss (gain) on settlement of accounts payable	(63,575)	65,208
Loss (gain) on settlement of accounts receivable	(17,784)	–
Share-based compensation	262,936	408,927
Shares and warrants received for licensing and distribution rights	(414,999)	–
Unrealized loss (gain) on marketable securities	3,203	45,024
Changes in non-cash operating working capital:		
Accounts receivable	85,647	(422,111)
Inventory	(55,585)	(291,066)
Prepaid expenses and other deposits	(146,266)	(44,246)
Accounts payable and accrued liabilities	(520,679)	764,820
Due to related parties	(86)	(58,775)
Deferred revenue	306,046	(82,191)
Net cash used in operating activities	(3,090,482)	(3,041,759)
INVESTING ACTIVITIES		
Purchase of equipment	–	(6,687)
Proceeds from sale of marketable securities	19,198	343,598
Net cash provided by investing activities	19,198	336,911
FINANCING ACTIVITIES		
Operating lease payments	(16,334)	–
Proceeds from issuance of units	250,000	2,740,750
Share issuance costs	–	(224,075)
Subscriptions received	35,000	–
Proceeds from exercise of stock options	12,000	260,500
Proceeds from exercise of warrants	562,500	3,598,558
Proceeds from exercise of special warrants	1,341,283	–
Equity ownership in subsidiary	192,861	–
Proceeds from issuance of units from subsidiary to non-controlling interest	555,593	–
Net cash provided by financing activities	2,932,903	6,375,733
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	288	–
CHANGE IN CASH	(138,093)	3,670,885
Cash, beginning of period	145,140	36,211
CASH, END OF PERIOD	$ 7,047	$ 3,707,096

Supplemental disclosures (Note 15)

(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. 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 $2,698,939 and used $3,090,482 of cash for operating activities during the three months ended February 29, 2020. As at February 29, 2020, the Company had working capital of $299,108 and had an accumulated deficit of $28,806,876. 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 the condensed interim consolidated statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. These adjustments could be material.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company’s supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company’s operations and the operations of the Company’s suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company’s suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time our business, liquidity, capital resources and financial results.

2. Significant Accounting Policies

(a) 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, 2019, which include the Company's significant accounting policies, and have been prepared in accordance with the same methods of application.

(b) Basis of Presentation and Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its 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"), Yield Botanicals Inc. ("Yield Botanicals"), NeonMind Biosciences Inc. (formerly Flourish Mushroom Labs Inc.) ("NeonMind") and Jack N Jane Essentials Inc. ("Jack N Jane"), 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.

Non-controlling interest of 19% in NeonMind is shown as a component of equity on the condensed interim consolidated statement of financial position, and the share of loss attributable to non-controlling interest is shown as a component of net loss for the period in the condensed interim consolidated statement of operations and comprehensive loss.

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.

(c) 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.

2. Significant Accounting Policies (continued)

(c) Significant Accounting Estimates and Judgments (continued)

Significant areas requiring the use of estimates include the collectability of accounts receivable, the impairment of inventory, the useful lives and carrying values of equipment and intangible assets, impairment of investments and marketable securities, deferred revenue, 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.

Significant areas requiring the use of judgments made by management also include license and revenue contracts with multiple obligations, website development costs related to the development of e-commerce websites for Urban Juve and W&W Manufacturing, and the determination of the incremental borrowing rate for lease liabilities under IFRS 16. Management's judgment with respect to contracts with multiple performance obligations are determined based on identifying distinct goods or services and uses judgement to estimate the proportion of each distinct good or service within a contract. For website development, management 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 W&W Manufacturing website are not being amortized as it is not yet ready for use. Amortization will commence once the website launches. The incremental borrowing rate applied to the lease liability on December 1, 2019 was 12%. The rate was estimated based on the Company's ability to source debt financing to fund its operations.

Another significant area requiring the use of judgments made by management includes the assessment of fair value of marketable securities of private companies. The fair value of shares and warrants of private companies is determined by valuation techniques such as recent arm's-length transactions, option pricing models, or other valuation techniques commonly used by market participants. The investments in common shares and warrants are measured at fair value through profit or loss and unrealized gains and losses are recorded in the consolidated statement of operations.

On February 4, 2020, the Company entered into share purchase agreements for the purchase of 7,285,000 common shares of Translational Life Science Inc. ("TLS") with a fair value of $750,000. TLS is a private company and as at February 29, 2020, there was no tangible information to determine the fair value of TLS shares. Management's judgment was to use the acquisition price as the fair value of TLS shares as at February 29, 2020, as management assessed that it was unlikely for a significant change in fair value to occur within the short time frame between the acquisition date and the period end date.

2. Significant Accounting Policies (continued)

(d) 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.

(e) Application of New and Revised Accounting Standards

IFRS 16 - Leases ("IFRS 16")

The Company adopted all the requirements of IFRS 16 on December 1, 2019. IFRS 16 replaces *IAS 17 Leases* ("IAS 17"). IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is 12 months or less or when the underlying asset has a low value. The Company applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized as an adjustment of $43,663 to the opening balance of deficit on December 1, 2019.

The adoption of IFRS 16 resulted in the recognition of a right-of-use asset and a lease liability measured at the present value of the future lease payments on the condensed interim consolidated statements of financial position for its office rental lease that was considered as an operating lease under IAS 17.

A depreciation expense on the right-of-use asset and an interest expense on the lease liability replaced the operating lease expense. IFRS 16 changes the presentation of cash flows relating to leases in the Company's condensed interim consolidated statements of cash flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

3. Marketable Securities and Investments

Marketable Securities

HeyBryan Media Inc.

During the year ended November 30, 2019, the Company received 1,000,000 units of HeyBryan Media Inc. ("HeyBryan"), a private company, at $0.25 per unit, 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.

During the period ended February 29, 2020, the Company received 173,843 units of HeyBryan with a fair value of $32,561 to settle accounts receivable of $14,777, resulting in a gain on settlement of accounts receivable of $17,784. Each unit consisted of one common share and one share purchase warrant exercisable at $0.12 per share for a period of two years. All shares and warrants are being held as of February 29, 2020.

(Expressed in Canadian Dollars)

3. Marketable Securities and Investments (continued)

Loop Insights Inc.

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 period ended February 29, 2020, the Company sold 130,500 (2019 – nil) Loop shares for total proceeds of $19,198 (2019 – $nil). As at February 29, 2020, the Company holds no Loop shares (November 30, 2019 – 130,500).

Investments

Translational Life Science Inc.

On February 4, 2020, the Company entered into share purchase agreements for the purchase of 7,285,000 common shares of Translational Life Science Inc. ("TLS"), in exchange for 15,000,000 units of NeonMind with a fair value of $750,000. All shares of TLS are being held as at February 29, 2020.

	Nov. 30, 2019 fair value	Additions	Proceeds from sale	Realized gain (loss) on sale	Unrealized gain (loss)	Feb. 29, 2020 fair value
Current Assets:						
Vert–Warrants	77	–	–	–	323	400
Loop	23,491	–	(19,198)	(4,293)	–	–
HeyBryan-Shares	95,000	19,123	–	–	3,262	117,385
HeyBryan-Warrants	12,046	13,438	–	–	(6,788)	18,696
	$ 130,614	$ 32,561	$ (19,198)	$ (4,293)	$ (3,203)	$ 136,481
Non-current assets:						
TLS	–	750,000	–	–	–	750,000
Total	$ 130,614	$ 782,561	$ (19,198)	$ (4,293)	$ (3,203)	$ 886,481

(Expressed in Canadian Dollars)

4. Inventory

	February 29, 2020 (unaudited)	November 30, 2019
Finished goods	$ 224,084	$ 202,520
Packaging	452,274	418,253
Product samples and marketing materials	42,886	42,886
	$ 719,244	$ 663,659

During the three months ended February 29, 2020, cost of revenues includes inventory costs of $17,283 (2019 - $1,447).

5. Investment in Associate

Kingdom Brands Inc. (formerly Antler Retail Inc.) ("Kingdom") makes and sells branded clothing and personal care products, leases property, and provides services to a cannabis dispensary license applicant in California.

On May 28, 2019, the Company entered into a license agreement with Kingdom's subsidiary, Kingdom Brands Management Inc. (formerly Antler Retail Holdings Inc.) ("Kingdom Management"), whereby the Company granted a perpetual non-exclusive license for 56 product formulas for THC and CBD infusion to Kingdom Management for sale in the United States. Pursuant to the license agreement, the Company received 10,000,000 common shares of Kingdom, with a fair value of $829,148, representing 8% ownership interest in Kingdom.

As the President and CEO of the Company is a director and significant shareholder of Kingdom, and the CFO of the Company is also a director and officer of Kingdom, and are actively involved with the day-to-day operations of Kingdom, the Company is deemed to have significant influence in Kingdom. Effective May 28, 2019, the Company's investment in Kingdom was accounted for as an investment in associate using the equity method.

On July 31, 2019, the Company entered into a license agreement with Kingdom, whereby the Company granted an indefinite non-exclusive license for 8 product formulas to Kingdom for sale world-wide excluding only the United States. Pursuant to the license agreement, the Company received 8,000,000 common shares of Kingdom, with a fair value of $663,318. The Company's ownership interest in Kingdom was increased to approximately 15%.

On February 20, 2020, the Company entered into a license agreement with Kingdom, whereby the Company granted a 25-year non-exclusive license to the Company's proprietary mushroom extraction technology to Kingdom for use in the United States. Pursuant to the license agreement, the Company received 5,000,000 common shares of Kingdom, with a fair value of $415,000. The Company's ownership interest in Kingdom was increased to approximately 19%.

During the three months ended February 29, 2020, the Company recorded its proportionate loss from Kingdom of $38,701 (2019 - $nil). The carrying value of the Company's investment in Kingdom as at February 29, 2020 was $1,616,299 (November 30, 2019 - $1,240,001).

(Expressed in Canadian Dollars)

6. Equipment

	Computer equipment	Furniture and display equipment	Telephone equipment	Lab equipment	Leasehold improvements	Total
Cost:						
Balance, November 30, 2019 and February 29, 2020	97,552	112,339	2,378	13,807	3,750	229,826
Balance,	97,552	112,339	2,378	13,807	3,750	229,826
Accumulated depreciation:						
Balance, November 30, 2019	61,112	21,435	754	1,927	235	85,463
Additions	11,507	9,361	119	691	262	21,940
Balance, February 29, 2020	72,619	30,796	873	2,618	497	107,403
Carrying amounts:						
As at November 30, 2019	$ 36,440	$ 90,904	$ 1,624	$ 11,880	$ 3,515	$ 144,363
As at February 29, 2020	$ 24,933	$ 81,543	$ 1,505	$ 11,189	$ 3,253	$ 122,423

7. Intangible Assets

	Product Formulations	Website Development Costs	Total
Cost:			
Balance, November 30, 2019	$ 32,400	$ 155,557	$ 187,957
Additions	–	–	–
Balance, February 29, 2020	32,400	155,557	187,957
Accumulated depreciation:			
Balance, November 30, 2019	–	26,154	26,154
Additions	–	11,371	11,371
Balance, February 29, 2020	–	37,525	37,525
Carrying amounts:			
As at November 30, 2019	$ 32,400	$ 129,403	$ 161,803
As at February 29, 2020	$ 32,400	$ 118,032	$ 150,432

On September 20, 2019, the Company entered into an agreement to acquire 10 formulations using wild edible mushrooms as key ingredients, and all know how and trade secrets and research and data related to the formulations. Pursuant to the agreement, the Company issued 120,000 common shares with a fair value of $32,400.

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 two e-commerce websites for the sale of products. Website development costs are amortized over a useful life of 3 years upon website launch.

(Expressed in Canadian Dollars)

8. Right of Use Asset and Lease Liability

Upon adoption of IFRS 16 (Note 2(e)), the Company recognized lease liabilities in relation to a lease for its office space which had previously been classified as an operating lease under the principles of *IAS 17 Leases* whereby lease payments were recorded as expenses as they were incurred. Under IFRS 16, the lease liability was measured at the present value of the remaining lease payments as at December 1, 2019, discounted using the Company's incremental borrowing rate. The incremental borrowing rate applied to the lease liability on December 1, 2019 was 12%. The rate was estimated based on the Company's ability to source debt financing to fund its operations. The associated lease liability recognized as at December 1, 2019 was $244,381.

An associated right-of-use asset for the lease was measured at the amount equal to the lease liability on December 1, 2019. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

	February 29, 2020
Right of Use Asset:	
Value of right of use asset as at December 1, 2019	$ 200,720
Amortization	(15,054)
Right of use asset as at February 29, 2020	$ 185,666

	February 29, 2020
Lease liability:	
Lease liability recognized as at December 1, 2019	$ 244,381
Lease payments	(16,332)
Lease interest	7,241
Lease liability as at February 29, 2020	$ 235,290

At February 29, 2020, the Company's future lease payment obligations are as follows:

	February 29, 2020
Year ended November 30, 2020	$ 67,143
Year ended November 30, 2021	92,548
Year ended November 30, 2022	92,548
Year ended November 30, 2023	30,849
	$ 283,088

9. License and Distribution Agreements

Vert Infrastructure Ltd. (formerly CROP Infrastructure Corp.)

On June 11, 2018, the Company entered into a license and distribution agreement with Vert Infrastructure Ltd. (“Vert”), 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, Vert 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 Vert and one-half of one share purchase warrant. Each share purchase warrant is exercisable into one common share of Vert 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 February 29, 2020, $426,484 (November 30, 2019 – $509,589) of the initial fee was included in deferred revenue which includes $333,333 (November 30, 2019 - $334,247) recorded as current portion of deferred revenues and $93,151 (November 30, 2019 – $175,342) recorded as non-current deferred revenues.

Nova Paths LLC

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.

Kingdom & Kingdom Management

On May 28, 2019, the Company entered into a license agreement with Kingdom Management, whereby the Company granted a perpetual non-exclusive license for 56 product formulas for THC and CBD infusion for sale in the United States. Pursuant to the license agreement, the Company received 10,000,000 common shares of Kingdom, the parent company of Kingdom Management, with a fair value of $829,148. 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 Kingdom Management 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 officers and directors of Kingdom.

On July 31, 2019, the Company entered into a license agreement with Kingdom, a related party, whereby the Company granted an indefinite non-exclusive license for 8 product formulas to Kingdom for sale world-wide excluding only the United States. Pursuant to the license agreement, the Company received 8,000,000 common shares of Kingdom, with a fair value of $663,318. 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 Kingdom using the licensed formulas.

9. License and Distribution Agreements (continued)

On August 14, 2019, the Company entered into a distribution agreement with Kingdom 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 Kingdom from third-party distribution agreements and retail agreements for the sale of the products.

On February 20, 2020, the Company entered into a license agreement with Kingdom whereby the Company granted a 25-year non-exclusive license to the Company's proprietary mushroom extraction technology to Kingdom for use in the United States. Pursuant to the license agreement, the Company received 5,000,000 common shares of Kingdom, with a fair value of $415,000. Revenue from this license agreement is being deferred and recognized over a period of three years as the estimated time required to complete the transfer or the technology and know-how. As of February 29, 2020, $411,589 of the initial fee was included in deferred revenue which includes $138,334 recorded as current portion of deferred revenues and $273,255 recorded as non-current deferred revenues.

Melorganics Hellas

On July 10, 2019, the Company entered into a distribution agreement with 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.

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. $90,000 of the fee was allocated to know-how and is being recognized as revenue over one year and was determined by management based on the expected cost of consulting services plus a reasonable mark-up fee. As at February 29, 2020, $43,644 (November 30, 2019 – $66,082) of the fee was included in deferred revenue and is expected to be earned during the year ended November 30, 2020.

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.

On November 8, 2019, the Company entered into a distribution agreement with Melorganics, whereby the Company granted Melorganics the right to distribute the Urban Juve line of cosmetic products in Romania, Bulgaria and Serbia for 3 years. Pursuant to the distribution agreement, Melorganics is required to make annual minimum purchases of $150,000 from the Company.

On November 19, 2019, the Company entered into a distribution agreement with Melorganics, whereby the Company granted Melorganics the exclusive right to distribute the NeonMind line of mushroom extract coffees in Greece, Cyprus, Romania, Bulgaria and Serbia for 3 years. Pursuant to the distribution agreement, Melorganics is required to make annual minimum purchases of $500,000 from the Company.

(Expressed in Canadian Dollars)

9. License and Distribution Agreements (continued)

Organic Medical Growth OMG3 Inc.

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. As at February 29, 2020, the Company held a deposit of $19,800 (November 30, 2019 - $19,800) which was included in current portion of deferred revenues.

On November 21, 2019, an addendum to the agreement was executed to add Costa Rica, El Salvador, Ecuador, Argentina, Panama and Peru to the territories included in the agreement.

Eurolife Brands Inc.

On November 8, 2019, the Company entered into a distribution agreement with Eurolife Brands Inc. ("Eurolife"), whereby the Company granted Eurolife the exclusive right to distribute the NeonMind line of mushroom extract coffees in Germany, Switzerland and the UK for 1 year. Pursuant to the distribution agreement, Eurolife is required to make annual minimum purchases of $3,000 from the Company.

10. Related Party Transactions

During the three months ended February 29, 2020 and 2019, compensation of key management personnel and related parties were as follows:

	February 29, 2020	February 28, 2019
Consulting fees	$ 65,500	$ 111,500
Wages	221,816	106,120
Share-based compensation	172,539	201,043
	$ 459,855	$ 418,663

As at February 29, 2020, the Company owed $18,813 (November 30, 2019 - $17,189) 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.

During the three months ended February 29, 2020, the Company recognized licensing revenue of $3,411 (2019 - $nil) and consulting revenue of $860 (2019 - $nil) from a company where the President and CEO of the Company and the CFO of the Company are officers and directors. As at February 29, 2020, the Company had a deferred revenue balance of $411,589 (November 30, 2019 - $nil) relating to a license agreement with the related company, a deposit of $42,000 (November 30, 2019 - $42,000) for the purchase of products and a retainer of $6,525 (November 30, 2019 - $6,525) from the related company, which are included in deferred revenue. As at February 29, 2020, the Company was owed $19,906 (November 30, 2019 - $625) by the related company, which is included in accounts receivable, and is unsecured, non-interest bearing, and due on demand.

As at February 29, 2020, the Company held a deposit of $10,000 (November 30, 2019 - $10,000) from a company with common directors and officers of the related company, which is included in deferred revenue.

11. Share Capital

Authorized: unlimited number of common shares without par value.

During the three months ended February 29, 2020, the Company completed the following transactions:

(a) On December 31, 2019, the Company closed a non-brokered private placement of 1,000,000 units at $0.25 per unit for proceeds of $250,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.265 per share for a period of one year.

(b) The Company issued 120,000 common shares for proceeds of $12,000 pursuant to the exercise of stock options. The fair value of the stock options of $8,194 was transferred from equity reserves to share capital upon exercise.

(c) The Company issued 2,796,332 common shares for proceeds of $562,500 pursuant to the exercise of share purchase warrants.

(d) The Company issued 7,066,494 common shares pursuant to the conversion of 7,066,494 special warrants. The fair value of the warrants of $1,393,783 was transferred from special warrants reserve to share capital and equity reserves upon conversion.

12. Share Purchase Warrants

Special Warrants

On December 6, 2019, the Company closed a non-brokered private placement of 1,262,500 units at $0.20 per unit for proceeds of $252,500. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at $0.25 per share for a period of six months from the date of the issuance.

On December 20, 2019, the Company closed a non-brokered private placement of 1,731,291 units at $0.25 per unit for proceeds of $432,823. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at $0.265 per share for a period of six months from the date of the issuance.

On January 3, 2020, the Company issued 350,000 units at $0.15 per unit to settle accounts payable of $52,500. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at $0.195 per share for a period of six months from the date of the issuance.

(Expressed in Canadian Dollars)

12. Share Purchase Warrants (continued)

On January 3, 2020 and January 7, 2020, the Company closed a non-brokered private placement of 2,133,332 units at $0.15 per unit for proceeds of $320,000. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at $0.195 per share for a period of six months from the date of the issuance.

On February 6, 2020, the Company closed a non-brokered private placement of 226,071 units at $0.28 per unit for proceeds of $63,300. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at $0.29 per share for a period of one year from the date of the issuance.

On February 14, 2020, the Company closed a non-brokered private placement of 1,363,300 units at $0.20 per unit for proceeds of $272,660. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) the first business day following the day on which a receipt for the final prospectus has been issue by or on behalf of the last of the securities regulatory authorities in the Provinces of British Columbia and Alberta; and (b) the third anniversary of the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at $0.26 per share for a period of 16 months from the date of the issuance.

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

	Number of warrants	Weighted average exercise price
Balance, November 30, 2019	39,795,907	$ 1.25
Issued	8,066,494	0.24
Exercised	(2,796,332)	0.20
Expired	(12,238,028)	2,86
Balance, February 29, 2020	32,828,041	$ 0.49

(Expressed in Canadian Dollars)

12. Share Purchase Warrants (continued)

As at February 29, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
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
949,500	$ 0.25	June 13, 2020
1,363,300	$ 0.26	June 14, 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
20,500	$ 0.30	October 30, 2020
1,833,404	$ 0.33	October 30, 2020
1,810,000	$ 0.30	November 19, 2020
193,350	$ 0.50	December 13, 2020
4,481,500	$ 1.10	December 13, 2020
2,731,291	$ 0.27	December 20, 2020
226,071	$ 0.29	February 6, 2021
6,060,593	$ 0.35	August 7, 2021
122,500	$ 0.30	August 7, 2021
1,774,232	$ 0.35	August 30, 2021
1,400,000	$ 0.37	September 13, 2021
2,090,500	$ 0.30	October 7, 2021
5,460,000	$ 0.50	October 30, 2023
200,000	$ 0.34	January 3, 2024
32,828,041		

(Expressed in Canadian Dollars)

13. 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, 2019	13,597,828	$ 0.46
Granted	2,198,000	0.23
Exercised	(120,000)	0.10
Expired/cancelled	(1,285,500)	0.46
Outstanding, February 29, 2020	14,390,328	0.43
Exercisable, February 29, 2020	10,419,390	$ 0.47

Additional information regarding stock options outstanding and exercisable as at February 29, 2020, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
$ 0.10	280,000	280,000	2.65
$ 0.15	750,000	750,000	2.86
$ 0.195	1,300,000	–	4.85
$ 0.23	1,140,000	1,140,000	3.80
$ 0.245	150,000	–	4.78
$ 0.25	116,500	41,500	4.45
$ 0.27	40,000	40,000	4.54
$ 0.28	824,000	–	4.83
$ 0.285	200,000	–	4.88
$ 0.31	70,000	53,333	4.32
$ 0.34	600,000	141,667	4.65
$ 0.38	620,000	103,333	4.38
$ 0.40	2,940,000	2,940,000	3.00
$ 0.50	55,000	55,000	3.34
$ 0.51	240,000	240,000	3.86
$ 0.57	125,028	31,257	4.21
$ 0.58	1,000,000	1,000,000	4.23
$ 0.62	1,673,000	1,572,000	3.99
$ 0.69	600,000	600,000	4.17
$ 0.70	356,800	196,300	4.13
$ 0.73	200,000	125,000	4.02
$ 0.78	1,110,000	1,110,000	3.98
	14,390,328	10,419,390	3.91

(Expressed in Canadian Dollars)

13. Stock Options (continued)

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the three months ended February 29, 2020, the Company recognized share-based compensation expense of $262,936 (2019 - $408,927) in equity reserves, of which $172,539 (2019 - $201,401) pertains to directors and officers of the Company. The weighted average fair value of options granted during the three months ended February 29, 2020, was $0.17 (2019 - $0.50) per share. The weighted average share price for stock options exercised was $0.10 (2019 - $0.27). Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2020	2019
Risk-free interest rate	1.49%	1.87%
Dividend yield	0%	0%
Expected volatility	107%	150%
Expected life (years)	4.81	4.88

As at February 29, 2020 there was $596,095 (November 30, 2019 - $513,960) of unrecognized share-based compensation related to unvested stock options.

14. 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, subscription received, 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 three months ended February 29, 2020. The Company is not subject to externally imposed capital requirements.

15. Supplemental Disclosures

	February 29, 2020	February 28, 2019
Non-cash investing and financing activities:		
Fair value of broker's warrants issued as finder's fees	$ –	$ 160,720
Shares issued for settlement of accounts payable	–	14,477
Units issued for the settlement of accounts payable	–	457,433
Special warrants issued for settlement of accounts payable	52,500	–
Units received for settlement of accounts receivable	32,560	–
Units issued for product development	–	251,008
Reclassification of equity reserves for exercise of options and warrants	8,194	413,008

16. Financial Instruments and Risk Management

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's condensed interim consolidated statement of financial position as at February 29, 2020, 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 February 29, 2020
Marketable securities	$ 117,385	$ 19,096	$ 750,000	$ 886,481
Investment in associate	–	$ 1,616,299	–	$ 1,616,299
	$ 117,385	$ 1,635,395	$ 750,000	$ 2,502,780

The fair values of other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, lease 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's credit risk is primarily attributable to accounts receivable. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada, and has no other significant concentration of credit risk arising from operations. Accounts receivable is primarily comprised of trade accounts receivable and harmonized sales tax due from the Canadian government. For accounts receivable, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counter parties. 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 mainly exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	February 29, 2020	February 28, 2019
	USD	USD
Cash	$ 9,953	$ 8,757
Accounts payable and accrued liabilities	(81,876)	(86,319)
Net exposure	$ (71,923)	$ (77,562)
Canadian dollar equivalent	$ (96,585)	$ (102,142)

A 10% change in the foreign exchange rate of US dollars is not expected to have a material impact on the condensed interim consolidated financial statements. The Company is not exposed to any significant interest rate risk.

(Expressed in Canadian Dollars)

16. Financial Instruments and Risk Management (continued)

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 companies and is dependent 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.

17. Commitments

The Company has entered into multiple non-cancellable binding purchase orders for operational items that have yet to be fulfilled as of February 29, 2020, 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	$ 170,864	$ –	$ –	–	$ 170,864
Services Contracts	44,144	9,000	–	–	53,144
	$ 251,008	$ 9,000	$ –	–	$ 224,008

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.

(Expressed in Canadian Dollars)

17. Commitments (continued)

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.

18. Segmented Information

The Company has two reporting segments: Licensing and Product Sales, and Consulting. Licensing and 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 months ended February 29, 2020 and 2019:

	Licensing and product sales	Consulting	Corporate and product development	Total
For the three months ended February 29, 2020:				
Revenue	$ 134,395	$ 860	$ –	$ 135,255
Net income (loss) before taxes	(229,646)	14,163	(2,483,456)	(2,698,939)
As at February 29, 2020:				
Total assets	2,385,906	132,980	2,159,071	4,677,957
Total liabilities	783,906	18,586	1,305,479	2,107,971

	Licensing and product sales	Consulting	Corporate and product development	Total
For the three months ended February 29, 2019:				
Revenue	$ 91,259	$ 709,239	$ –	$ 800,498
Net income (loss) before taxes	(933,930)	381,884	(3,237,734)	(3,789,780)
As at February 29, 2019:				
Total assets	855,408	797,462	5,306,197	6,959,067
Total liabilities	983,224	188,668	328,401	1,500,293

18. Segmented Information (continued)

Significant customers

For the three months ended February 29, 2020, the Company had two significant customers in the licensing and product sales segment, comprising 61% and 17% of the Company's total revenue.

As at February 29, 2020, the Company had two significant accounts receivable balances outstanding relating to the licensing and product sales segment, comprising 49% and 26% of the Company's total accounts receivable.

For the three months ended February 29, 2019, the Company had one significant customer in the consulting segment and one significant customer in the licensing and product sales segment, comprising of 89% and 10% of the Company's total revenue respectively.

As at February 29, 2019, the Company had two significant accounts receivable balance outstanding relating to the consulting segment, comprising 64% and 25% of the Company's total accounts receivable.

19. Subsequent Events

(a) Subsequent to February 29, 2020, the Company closed the following special warrant tranches:

i) On March 6, 2020, the Company issued 3,840,625 special warrants at a price of $0.16 per special warrant for aggregate proceeds of $614,500. Each special warrant is exercisable without payment of additional consideration for one unit of the Company, where each unit consists of one common share of the Company and one share purchase warrant exercisable at $0.20 for a period of nine months from the date of issuance for an additional common share of the Company. These units were qualified for distribution upon the deemed exercise of the special warrants on March 11, 2020.

ii) On April 2, 2020, the Company issued 5,000,000 special warrants at a price of $0.10 per special warrant for aggregate proceeds of $500,000. Each special warrant is exercisable without payment of additional consideration for one unit of the Company, where each unit consists of one common share of the Company and one share purchase warrant exercisable at $0.13 for a period of one year from the date of issuance for an additional common share of the Company. These units were qualified for distribution upon the deemed exercise of the special warrants on April 7, 2020.

(b) Subsequent to February 29, 2020, the Company granted the following stock options:

i) The Company granted 50,000 stock options to an employee, which are exercisable at $0.21 per share for a period of five years. The stock options vest over 30 months in 10 equal tranches commencing 4 months after the grant date.

ii) The Company granted an aggregate of 1,180,000 stock options to its directors, officers, employees and consultants, which are exercisable at $0.21 per share for a period of five years. The stock options fully vest 4 months after the grant date.

iii) The Company granted 100,000 stock options to a consultant, which are exercisable at $0.205 per share for a period of five years. The stock options vest over 8 equal quarters, commencing 4 months after the grant date.

19. Subsequent Events (continued)

iv) The Company granted 100,000 stock options to an employee, which are exercisable at $0.205 per share for a period of five years. 20% of the stock options vest 6 months after the grant date, and 10% in each quarter thereafter.

v) The Company granted 100,000 stock options to a consultant, which are exercisable at $0.170 per share for a period of five years. The stock options vest over 8 equal quarters, commencing 4 months after the grant date.

(c) Subsequent to February 29, 2020, the Company entered into a three-year rental lease agreement commencing on March 1, 2020, with annual rent of $20,563.

(d) Subsequent to February 29, 2020, the Company entered into a license and master services agreement with Argentia Gold Corporation ("Argentia") for the manufacture and distribution of Jack n Jane products, including tinctures, topicals and other products intended for the recreational cannabis market, in Canada for a term of two years. Under the terms of the agreement, profits from the sale of products relating to this agreement will be split 50-50 between the Company and Argentia.

(e) The following events were subsequent to February 29, 2020 and relate to the Company's subsidiary, NeonMind:

i) NeonMind closed multiple private placements for a total of 737,500 units at a price of $0.08 per unit for aggregate proceeds of $43,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.40 per share for a period of two years from the date of issuance.

ii) NeonMind granted 100,000 stock options to a consultant, which are exercisable at $0.10 per share for a period of five years. The stock options vest over 4 equal quarters, commencing 3 months after the grant date.

iii) NeonMind granted 400,000 stock options to an officer, which are exercisable at $0.10 per share for a period of five years, and vest immediately.

iv) NeonMind granted 500,000 stock options to various consultants, which are exercisable at $0.10 per share for a period of five years. The stock options vest over 4 equal quarters, commencing 3 months after the grant date.

v) NeonMind granted 3,000,000 restricted share units to its director and officers, which will be converted to common shares upon redemption. The restricted share units vest as follows: 10% on the date that NeonMind securities are listed on a Canadian exchange, and the remaining restricted share units vest over 6 equal tranches every 6 months over three years thereafter.