

# **THE YIELD GROWTH CORP.**

## **Management's Discussion & Analysis**

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

This Management's Discussion and Analysis ("MD&A") relates to the consolidated financial position and financial performance of The Yield Growth Corp. ("Yield Growth"), our 100% owned subsidiary Urban Juve™ Provisions Inc. ("Urban Juve™"), our 100% owned subsidiary Wright & Well™ Essentials Inc. ("Wright & Well™"), our 100% owned subsidiary UJ Beverages Inc. ("UJ Beverages"), our 100% owned subsidiary Yield Botanicals Inc. ("Yield Botanicals"), our 100% owned subsidiary Thrive Activations Inc. ("Thrive"), our 100% owned subsidiary W&W Manufacturing Inc. ("W&W Manufacturing"), our 100% owned Jack n Jane Essentials ("Jack n Jane"), and our 81% owned subsidiary NeonMind Biosciences Inc. (formerly Flourish Mushroom Labs Inc.) ("NeonMind") for the three months ended February 29, 2020 and February 28, 2019. Collectively, Yield Growth, Urban Juve™, Wright & Well™, UJ Beverages, Yield Botanicals, Thrive, W&W Manufacturing, Jack n Jane, and NeonMind are referred to as the "Company". All references to "us" "we" and "our" refer to the Company. All intercompany balances and transactions have been eliminated.

Except where otherwise indicated, the financial information contained in this MD&A was prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended February 29, 2020 and February 28, 2019 and audited annual consolidated financial statements for the years ended November 30, 2019 and 2018 (collectively referred to as the "Financial Statements").

Financial information contained in this MD&A has been prepared on the basis that we will continue as a going concern, which assumes that we will be able to realize our assets and satisfy our 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 our ability to continue as a going concern.

We 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, we 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 we can generate sufficient operating cash flows to pay for its expenditures and settle our 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.

Since Fiscal 2019, we have relied on financing qualified through a shelf prospectus to fund our monthly cash requirements. As of February 29, 2020, we have raised and registered \$5.6 million of capital through our shelf prospectus, and \$4.4 million remaining on the shelf prospectus to qualify future capital raises.

Except where otherwise indicated, all financial information is expressed in Canadian dollars.

## FINANCIAL HIGHLIGHTS

We refer the reader to the sections entitled "Overall Performance", "Discussion on Operations" and "Summary of Quarterly Results" of the MD&A for details on the items discussed below.

Select financial highlights for three months ended February 29, 2020 include the following:

- We continued to grow our assets and total assets increased by 36% to \$4.7 million from \$3.4 million at November 30, 2019.
- Revenue from licensing and product sales increased by 47% to \$134,395 as compared to \$91,259 for the same period of the prior year.
- We have no commercial debt, including short-term loans, long-term loans or convertible debentures.

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 our supply chain and operations. The COVID-19 pandemic has impacted and could further impact our operations and the operations of our suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts our 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 our 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, we 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, we cannot reasonably estimate the impact at this time our business, liquidity, capital resources and financial results.

## **CORPORATE OVERVIEW**

Yield Growth is a phytoceutical and consumer packaged goods company. We develop and acquire intellectual property for plant-based products and therapeutics, and develop, test, manufacture, market and distribute plant-based products designed to improve lives. We also offer business incubation services to new companies with promising business plans.

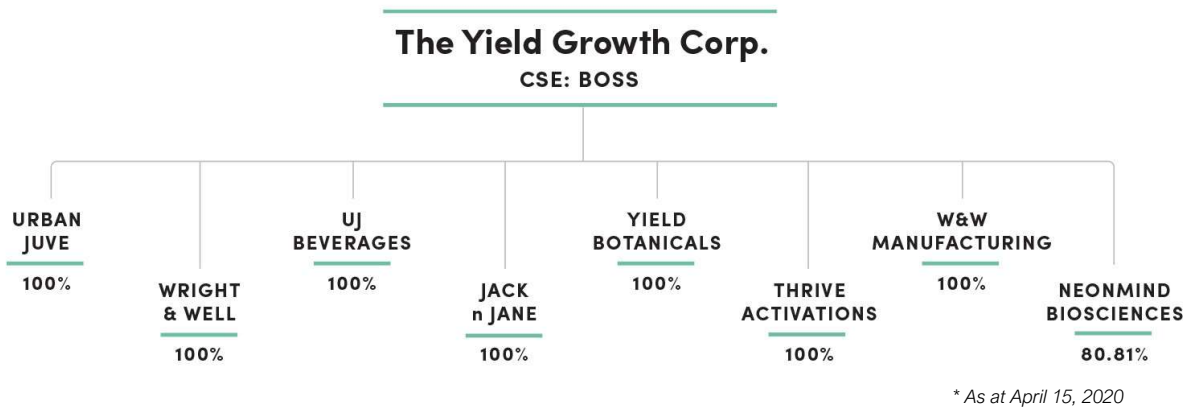
We conduct research and development into plant-based ingredients and products and commercialize, market, sell, and distribute plant-based products designed to improve lives. We have more than 200 proprietary product formulas at various stages of commercialization, and all of the products we develop are plant-based and created to improve lives through enhanced wellness. Our products are sold through e-commerce worldwide and retail stores in 3 countries with distribution agreements in place for 12 more countries. We conduct research into plant-based therapeutics, including protection against infectious diseases, and we have 14 patents filed in what the Global Wellness Institute reports is a \$4.2 trillion-dollar global wellness market. We own the plant-based skin care brand Urban Juve, which is currently launching a line of hand care products, and we own cannabis wellness brands Wright & Well and Jack n Jane. Our majority owned subsidiary NeonMind is launching a line of functional mushroom products and engaged in research and development to find therapeutic uses for plant based and synthetic compounds in psychedelic mushrooms.

### **Evolving for Tomorrow**

We are implementing changes to our business and product commercialization plan to stay relevant to consumers. We intend to increase revenues by offering new products that are in high and sustainable consumer demand. We draw on existing, stability-tested formulas to bring these to market under new and existing brands. Our wholly owned subsidiary brands include Urban Juve, Wright & Well and Jack n Jane. Our majority owned subsidiary, NeonMind, is launching functional mushroom products. All of the products we develop are plant-based and created to improve lives through enhanced wellness.

### **Plant-Based Bioscience**

We take care to protect our intellectual property, including our catalogue of more than 200 product formulas. Many of our formulas, and our extraction processes, are protected by 14 patent applications. We have conducted research into plant-based medicines to create products designed to relieve pain. Our unique and proprietary ingredient hemp root oil is used in many of our products. We have also commenced research into plant-based therapeutics to fight infectious disease to inform our product roadmap. Through NeonMind, we are conducting research into therapeutic uses of psychedelic (magic) mushrooms.



### Urban Juve™

Our wholly owned subsidiary Urban Juve is enhancing our skin care line with the addition of a hand care line that includes a cleansing wash and a moisturizer, to combat irritation that occurs with consistent sanitization of one's hands. Urban Juve has also received Health Canada approval for three hand sanitizer products, a gel and two liquid sprays, as well as FDA registration of a hand sanitizer gel. The hand sanitizer liquid spray will be ready for sale this spring. We have also completed shelf life stability testing on our plant-based hand moisturizer, which will launch later in the year.

Throughout January and February 2020, Urban Juve's Ultra Hydrating Lip Balm garnered over 35,000 reviews in its partnership with IPSY, the world's largest beauty subscription service, with Ipsters rating the product, a top-performing, 4 - 5 stars. Urban Juve intends to continue to develop high quality products that earn consumer ratings that outperform the industry.

Urban Juve is currently improving its website to meet changing online shopping behaviour and increase sales conversions. The optimizations include exploring automated product subscriptions, streamlining the checkout and payment process, adding payment methods, and giving more depth to our product descriptions pages with richer content.

### NeonMind™

NeonMind continues product development of its functional mushroom-infused coffees - formulas created to boost immunity and brain health. It is also reviewing its extensive product catalogue to select the next products to commercialize. Ayurvedic coffees are planned for launch in late 2020 and contain immune-boosting medicinal mushrooms: reishi, chaga, lion's mane and turkey tail. Our brain booster shots are formulated to increase focus, clarity and creativity. The Yield Growth/NeonMind marketing team has been developing an exciting new branding for its mushroom products.

### Cannabis Brands Wright & Well™ and Jack n Jane™

Yield Growth is proceeding ahead with the development of its cannabis brand for distribution in Canada, Jack n Jane, planned for launch this year. It intends to build on the success and learnings from its Wright & Well THC-infused pain management line, launched in Oregon, U.S., several months ago.

Yield Growth's development road map for cannabis 2.0 in Canada includes topical products designed for people who use cannabis products to alleviate pain, products to enhance intimacy, skin care products, edibles and beverages. Yield Growth's team has conducted research into top selling products in more established cannabis 2.0 markets such as California, and created a two-year product launch plan which includes edible gummies, chocolate and mints, infused teas and botanical beverages, gel, balm, massage oil, tinctures, and skin care products with CBD such as face oil and face serum. Yield Growth recently signed a definitive agreement with a licensed cannabis producer in Canada for manufacturing and national distribution of Jack n Jane's product line and is currently negotiating a definitive agreement.

## W & W Manufacturing

With the adoption of the *Farm Bill* into law in late 2018, topical products containing cannabidiol (CBD) are now federally legal in the United States, subject to state law and compliance with FDA. In the future, we plan to develop a line of products for CBD infusion with the primary target markets being the United States and Europe. We have had preliminary discussions with manufacturers to complete stability testing and manufacture of the products.

## UJ Beverages

We acquired the rights to a line of eight beverages which we have started developing. The beverage line is based on Ayurvedic medicine and blends fruit extracts with natural botanical extracts, including hemp leaf extracts.

We have completed the taste profiling on two of the beverages and have had preliminary discussions with beverage manufacturers to complete stability testing and manufacture of the drinks. One of the key ingredients in all of these beverages is cannabis leaf extract, which we intend to produce using our patent-pending sonic and nano emulsion technology. These beverages can also be infused with cannabinoids such as CBD and THC in jurisdictions where it is legal to do so.

## Long-Term Vision

Yield Growth is focused on achieving long-term results. We are building our long term product pipeline by conducting plant-based research for therapeutic use in areas that are poised for strong growth.

We intend to continue to develop loyal consumer bases for all our brands through high quality products, excellent customer treatment, fair pricing models, and community participation and support. During the Covid-19 crisis, Yield Growth has been donating Urban Juve's Face and Body Mists to people working in the healthcare, senior care and retail industries. These refreshing mists have natural floral waters with antiviral essential oils to clean and invigorate the skin. To date, 2,000 Urban Juve mists have been donated, with more product donations planned.

## STRATEGIC ACCOMPLISHMENTS AND UPDATE ON OPERATIONS

### Launch of Urban Juve Hand Sanitizers

- Urban Juve hand sanitizer liquid spray is available for pre-order in Canada online at UrbanJuve.com. Retail orders are now being accepted by Urban Juve for stores in Canada. Manufacturing is set to begin in Canada and products are expected to begin shipping in May.
- Urban Juve hand sanitizer gel will go into production, with 100,000 units scheduled to be produced in July, and pre-order to be available in June 2020.
- We decided to donate a portion of our hand sanitizer sales going forward to underserved frontline health care facilities to help fight the coronavirus.
- We successfully listed its Urban Juve hand sanitizer gel with the U.S. Food and Drug Administration (the "FDA"), allowing it to market and sell its hand sanitizer gel with 65% ethyl alcohol throughout the U.S., which may be labelled as an antiseptic to help reduce bacteria on the skin. The formula contains Aloe Vera which can help ward off side effects related to dryness of the skin, and Eucalyptus Oil which is known to relieve stress and boost mental clarity.

### Development of Functional Mushroom Products and engaged in Research and Development

During the three months ended February 29, 2020, our subsidiary NeonMind continued to create a plan to develop, manufacture, and sell products infused with medicinal mushrooms. We have made progress towards the launch of our 4 functional mushroom coffee products. We have identified ingredients and packaging supply and a blending facility and we have designed the brand and overall packaging concepts.

This quarter, NeonMind filed a U.S. provisional patent application in the United States for the invention relating to methods of using psychedelic mushrooms for weight loss. The pending patent seeks to protect the invention that

administration of psilocin and/or psilocybin results in overall weight loss in individuals by reducing food cravings, counteracting compulsive overeating, and aiding in improving quality of diet by altering food choices. The patent pending covers the use of microdose administration of psilocin/psilocybin to have the additional weight loss effect of increasing metabolism, which, combined with a decrease in food cravings or compulsive overeating, or altering food choices to less calorie dense foods, could result in substantial and beneficial weight loss. The Flourish Mushroom Labs pending patent also covers the use of psilocin/psilocybin in treatment or regulation of diabetes, and regulation of blood glucose and to reduce susceptibility to cardiovascular disease, high blood pressure, diabetes mellitus and other illnesses associated with obesity.

During the quarter, NeonMind completed the acquisition of approximately 18% of the outstanding shares of TLS. TLS is an early stage biotechnology company focused on developing proprietary formulations that contain restricted substances such as psilocybin and cannabis to serve unmet medical needs in the market. The company also offers services to design and oversee clinical trials of restricted substances for third parties.

In April 2020 we engaged a Canadian investment firm to make best efforts to raise \$2 million - \$4 million in an initial public offering for NeonMind, for which due diligence is currently underway.

### Other Achievements

During the three months ended February 2020, Yield Growth accomplished many important milestones as a business, including the following:

- Launched 5 Wright & Well products in Oregon, securing placement in 9 dispensaries
- Secured placement of 200,000 Urban Juve lip balms in the January 2020 IPSY Glam Bag, garnering more than 35,000 verified reviews from IPSY customers, the overwhelming majority rating our product 4-5 stars
- Established a consumer feedback survey program to garner valuable input from target consumers for new and existing products to inform future product development based on consumer demand.
- Received three Natural Product Number (NPN) from Health Canada for our hand sanitizer liquid spray and two versions of hand sanitizer gel. We have an NPN application pending for our pain balm.
- Signed a definitive agreement with a Newfoundland-based licensed producer to manufacturer, distribute and sell a line of cannabis-infused topicals and tinctures across Canada. We plan to launch these products under the Jack n Jane brand name in late 2020

Over the next three months, we intend to continue to develop our brands Urban Juve, Wright & Well, Jack n Jane, and NeonMind to launch new products in each line, and to continue expansion for international distribution of all our product lines through e-commerce and retail. We will also look for opportunities to acquire or develop new businesses that are complementary to our existing businesses.

### Additional Update

On January 4, 2020, we entered into a binding letter of intent with Acres Agricultural Canada Corp. to jointly form a company in Saint Vincent and the Grenadines, Acres Flourish Labs (SVG) Ltd. (“Joint Venture”), to build a laboratory for the cultivation of psilocybin mushrooms and for research and development into compounds and therapeutic use of psychedelic mushrooms. As at the date of this MD&A, we have identified other opportunities that better serve our strategic goals, and we are no longer pursuing this joint venture.

### OVERALL PERFORMANCE

During the three months ended February 29, 2020, we entered into a license agreement with Kingdom Brands Inc. (“Kingdom”), whereby we granted Kingdom the rights to use and sublicense its mushroom extract manufacturing technology in the United States, in exchange for \$500,000, payable in 5,000,000 common shares of Kingdom. Revenue of \$500,000 derived from the transaction is deferred and amortized over a three-year period, which is considered as the feasible period time for us to transfer the technology and knowhow to Kingdom.

For the three months ended February 29, 2020, we realized revenue from licensing and product sales of \$134,395 as compared to \$91,259 for the same period of the prior year, representing growth of 47%.

We also realized consulting revenue of \$860 as compared to \$709,239 for the same period of the prior year. Consulting revenue was related to executive and incubating services provided to our strategic partners and the timing of such revenue was highly driven by the development of such strategic partnerships. The consulting revenue of \$709,239 of the prior year was related to services provided to HeyBryan Media Inc. for their technology development and executive services to support their initial public offering. We expect to continue to earn consulting revenue going forward although timing of such revenue is undeterminable at this time.

We incurred net loss of \$2,698,939 for three months ended February 29, 2020 as compared to \$3,789,780 for the same period of the prior year, representing an improvement of 29%. The loss primarily consisted of operating expenses including wages and salaries, consulting, advertising, marketing and media, share based compensation, and product development. We are at an early stage in a few areas of our business. We will continue to invest in the development of our future revenue streams.

Our new hand sanitizer products in liquid and gel were recently approved by Health Canada and our hand sanitizer gel was listed with the U.S. FDA. In late April of 2020, we started accepting pre-orders for hand sanitizer liquid products through our ecommerce website and retail distribution channels. Shipments will start in late May of 2020. The production of hand sanitizer gel products has also been scheduled, and we expect to start accepting pre-orders for hand sanitizer gel products in June 2020 with shipments expected to start in July.

## ADJUSTED EBITDA

Adjusted EBITDA, a measure used by management to indicate operating performance, is defined as earnings before interest, taxes, depreciation and amortization, excluding certain non-operating amounts as shown below. Adjusted EBITDA is not a recognized term under IFRS and is not intended to be an alternative either to gross profit or income before taxes as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow available for discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. We use Adjusted EBITDA to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business than IFRS results alone. Because not all companies use identical calculations, the presentation of Adjusted EBITDA may not be comparable to other similarly titled measurements used by other companies. Readers should not consider Adjusted EBITDA in isolation or as a substitute for profit (loss) for the three months as determined by IFRS, or as a substitute for an analysis of our Financial Statements. Reconciliation of Adjusted EBITDA for the three months ended February 29, 2020 and February 28, 2019:

	For the three months ended	
	February 29, 2020	February 28, 2019
Net loss for the three months	\$ (2,698,939)	\$ (3,789,780)
Add:		
Depreciation & Amortization	48,364	9,157
Adjustments:		
Share-based compensation	450,795	408,927
Loss from investment in associate	38,701	-
Loss (gain) on settlement of accounts receivable	(17,784)	-
Loss (gain) on settlement of accounts payable	(63,575)	65,208
Loss (gain) on sale of marketable securities	4,293	238,985
Unrealized loss (gain) on marketable securities	3,203	45,024
Adjusted EBITDA	\$ (2,234,942)	\$ (3,022,479)



The negative EBITDA was primarily driven by operating expenses as we continue to invest in the development of the business, including product development, wages and salaries, advertising and media and consulting.

## DISCUSSION ON OPERATIONS

### Revenue

For the three months ended February 29, 2020, we realized revenue from licensing and product sales of \$134,395 as compared to \$91,259 for the same period of the prior year, representing a growth of 47%.

During the three months ended February 29, 2020, we entered into a license agreement with Kingdom, whereby we granted Kingdom the rights to use and sublicense its mushroom extract manufacturing technology in the United States, in exchange for \$500,000, payable in 5,000,000 common shares of Kingdom. Revenue of \$500,000 derived from the transaction is deferred and amortized over a three-year period, which is considered as the feasible period time for us to transfer the technology and know to Kingdom.

We also realized consulting revenue of \$860 as compared to \$709,239 for the same period of the prior year. Consulting revenue was related to executive and incubating services provided to our strategic partners. The timing of such revenue was highly driven by the development of such strategic partnerships. The consulting revenue of \$709,239 of the prior year was related to services provided to HeyBryan Media Inc. for their technology development initial public offering. We expect to continue to earn consulting revenue going forward although timing of such revenue is unpredictable at this time.

### Advertising, Marketing and Media

Advertising, marketing and media expenses are related to our activities in promoting our corporate brand name, our wellness line of products, Urban Juve™, our THC/CBD infused product line of Wright & Well™, and brand creation and packaging design for upcoming brands of Jack n Jane™ and NeonMind™. For the three months ended February 29, 2020, we incurred \$583,173 in advertising, marketing and media expenses as compared to \$1,816,225 for the same period of the prior year. These expenses included market studies, brand design, labelling artwork, primary packaging design, social media launch and maintenance, and creatives and contents for the website.

Breakdown of advertising, marketing and media is as follows:

	For the three months ended	
	February 29, 2020	February 28, 2019
Promotions & Events	\$ 9,367	\$ 41,655
Marketing Expenses	34,769	34,894
Marketing Materials	64,911	-
Public Relations	15,889	-
Media	446,482	1,671,362
Product Samples and other	11,755	68,313
Total advertising, marketing and media	\$ 583,173	\$ 1,816,225



## **Amortization & Depreciation**

Depreciation and amortization are related to officer rental lease, computer equipment, furniture, telephone equipment, leasehold improvements and website development costs. For the three months ended February 29, 2020, we incurred depreciation and amortization expenses of \$48,364 as compared to \$9,157 for the same period of the prior year. The increase in depreciation expenses was driven by expanded office and staffing, and the addition of an e-commerce website.

## **Consulting Fees**

We are an emerging business which engages consultants regularly to obtain expertise in various business areas including but not limited to marketing, technology, finance and accounting. For the three months ended February 29, 2020, we incurred consulting expenses of \$720,400 as compared to \$928,821 for the same period of the prior year. Consulting fees increased due to Urban Juve™ product distribution efforts and the development of new product lines. Consulting services received consisted primarily of corporate finance, CFO services, director services, and regulatory advisory services.

## **Distribution & Licensing Fees**

Distribution fees were related to distribution rights to various plant-based product formulations from third parties and licensing fees to gain access to third parties' brands and products and information technology. We did not incur any distribution and licensing fees for the three months ended February 29, 2020 as compared to \$30,000 for the same period of the prior year, which was related to a license of product formulas for our wellness product line.

## **Information Systems**

We incurred expenses on Information Systems, primarily to establish our ERP system and ecommerce website and related backend transaction processing and support systems, as well as supporting our consulting services provided to third parties. During the three months ended February 29, 2020, we incurred expenses in information systems of \$64,875 as compared to \$302,950 for the same period of the prior year. The decrease in information systems expenses was due to one-time costs incurred in setting up information systems in the same period of the prior year, which were not required in the current three months.

## **Investor Relations**

Investor relations expenses were incurred to enhance our investor relations program and included investor relations consulting services and fees paid for news releases. For the three months ended February 29, 2020, we incurred \$97,100 as compared to \$nil for the same period of the prior year. Investor relations expenses increased to support ongoing efforts to expand visibility within the North American and European investment community after we were listed on the Canadian Securities Exchange, the OTCQB Venture Market in the United States and The Frankfurt Stock exchange in Germany during the three months. Such activities were not material for the same period of the prior year.

## **Listing fees**

We incurred listing fees of \$11,012 for the three months ended February 29, 2020 to maintain our ongoing listing status as compared to \$138,668 for the same period of the prior year, which included one-time listing expense during our initial public offering in December 2019.

## Office and Administrative Expenses

For the three months ended February 29, 2020, we incurred office expenses of \$158,593 as compared to \$196,133 for the same period of the prior year. The increase in office expenses was driven by expanded staffing and increased activities to support added staff and increased brand development and launch activities.

Breakdown of office and administrative expenses is as follows:

	For the three months ended	
	February 29, 2020	February 28, 2019
Dues and subscriptions	\$ 18,084	\$ 5,575
Insurance	27,991	57,161
Office rent	15,861	19,296
Office expenses	23,883	22,705
Logistics	21,857	6,449
Telephone	9,522	8,478
Travel	16,838	53,013
Other expenses	24,557	23,456
Total office and administrative	\$ 158,593	\$ 196,133

## Product Development, Research and Registration

Product development, research and registration expenses are related to product testing, research and regulatory registrations. For the three months ended February 29, 2020, we incurred product testing costs of \$132,915 as compared to \$3,035 for the same period of the prior year. The increase in product development, research and registration was driven by our product launch and development of new products including skincare products, wellness products and mushroom infused products.

## Professional Fees

Professional fees are primarily related to legal, accounting, recruiting and audit services. For the three months ended February 29, 2020, we incurred professional fees of \$71,365 as compared to \$90,412 for the same period of the prior year. The decrease in professional fees were mainly related to expansion in internal resources to drive efficiency.

## Share-based Compensation

Share-based compensation is related to stock options granted to directors, officers, employees and consultants of the Company. For the three months ended February 29, 2020, we incurred share-based compensation expense of \$450,795 as compared to \$408,927 for the same period of the prior year. The increase in share-based compensation expenses was driven by the vesting schedule of underlying stock options.

## Wages

Wages expenses for the three months ended February 29, 2020 was \$505,572 as compared to \$309,243 for the same period of the prior year. The increase in wages were driven by added staff to support brand development and product sales and distribution activities.

## Gain (Loss) on Sale of Marketable Securities

We disposed of our a portion of our holdings of Loop Insights Inc. shares during the three months ended February 29, 2020 and incurred a loss of \$4,293 as compared to a loss of \$238,985 for the same period of the prior year which was related to the sale of Vert shares.

### Gain from Settlement of Accounts Receivable

We settled accounts receivable in exchange for marketable securities during the three months ended February 29, 2020, which resulted in a gain of \$17,784 from such settlement. We did not enter into any settlement of accounts receivable during the same period of the prior year.

### Gain (Loss) from Settlement of Accounts Payable

We settle certain liabilities with shares to preserve cash resource, and during the three months ended February 29, 2020, we incurred a gain of \$63,575 from such settlements as compared to a loss of \$65,208 for the same period of the prior year.

### Unrealized Gain (Loss) on Marketable Securities

The fair value of marketable securities was valued at their fair market value at the period end. Changes in the underlying securities will generate a gain or loss. As a result, we incurred a loss of \$3,203 for the three months ended February 29, 2020 as compared to \$45,024 for the same period of the prior year.

### Loss from Investment in Associate

During the three months ended February 29, 2020, we recorded a proportionate loss from our investment in Kingdom of \$38,701, as compared to \$nil for the same period of the prior year. Kingdom is an early stage company engaged in launching its business and getting their shares listed on a Canadian security exchange.

### Net Loss

We incurred a net loss of \$2,698,939 for the three months ended February 29, 2020 as compared to \$3,789,780 for the same period of the prior year. The decrease in loss was primarily driven by control measures for operating expenses.

### Comprehensive Loss

For the three months ended February 29, 2020, we had a comprehensive loss of \$2,698,651 as compared to \$3,492,297 for the same period of the prior year.

### Dividends

No dividends were declared or paid for the three months ended February 29, 2020 and February 28, 2019.

### SUMMARY OF QUARTERLY RESULTS

Since inception we have generated revenues of \$7,209,940.

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	\$ 135,255	\$ 146,365	\$ 1,895,751	\$ 1,176,629
Net loss	2,698,939	6,215,389	1,869,647	4,146,172
Basic & diluted loss per share	0.02	0.07	0.02	0.05

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	\$ 800,498	\$ 639,863	\$ 416,650	\$ 190,116
Net loss	3,789,780	2,518,900	3,737,120	2,813,669
Basic & diluted loss per share	0.04	0.03	0.05	0.04

## LIQUIDITY

	February 29, 2020	November 30, 2019
Current ratio <sup>(1)</sup>	1.19	0.95
Cash	7,047	\$ 145,140
Working capital surplus (deficit) <sup>(2)</sup>	299,108	\$ (91,697)
Debt <sup>(3)</sup>	-	\$ -
Equity attributable to Yield Shareholders	1,880,502	\$ 1,172,925

(1) Current ratio is current assets divided by current liabilities.

(2) Working capital is current assets minus current liabilities

(3) Debt is defined as any commercial debt.

## Cash Position

As at February 29, 2020, we had \$7,047 of cash as compared to \$145,140 at November 30, 2019. For the three months ended February 29, 2020, cash used in operating activities was \$3,090,482 consisting of operating expenditures during the three months to support our Urban Juve™ wellness product line and Wright & Well™ THC/CBD infused product line, and development of other product lines and formulas, as compared to cash used in operating activities of \$3,041,759 for the same period of the prior year which was driven by operating expenses and increase in due to related parties. Cash provided by investing activities was \$19,198 for the three months ended February 29, 2020, driven by proceeds from the sale of marketable securities as compared to cash provided by investing activities of \$336,911 for the same period of the prior year driven by proceeds from the sale of marketable securities offset by purchase of equipment. Cash provided by financing activities was \$2,932,903 for the three months ended February 29, 2020, which was primarily from proceeds received from the issuance of common shares and special warrants through private placements, as well as the exercise of warrants and options by investors, as compared to \$6,375,733 for the same period of the prior year, consisting mainly of proceeds from the issuance of common shares units and exercise of warrants and options by investors.

## Working Capital

We had a working capital of \$299,108 as at February 29, 2020 as compared to a working capital deficit of \$91,697 as at November 30, 2019. The increase in working capital was primarily due to a decrease in accounts payable accrued liabilities.

## CAPITAL RESOURCES AND MANAGEMENT

As at February 29, 2020, we had cash of \$7,047. We are authorized to issue an unlimited number of common shares. As at February 29, 2020, there were 116,248,845 common shares issued and outstanding. We also had 32,828,041 share purchase warrants with weighted average exercise price of \$0.49 and 14,390,328 stock options with weighted average exercise price of \$0.43.

Our objective is to maintain a strong capital base to support the development of the business including the commercialization of over 200 formulas for cannabis and mushroom infused beverages, topicals, edibles and wellness products, including launching products through our own brands of commercialization of over 200 formulas for cannabis and mushroom infused beverages, topicals, edibles and wellness products, including launching products through our own brands of Urban Juve™, Wright & Well™, Jack n Jane™ and NeonMind™.

## OFF-BALANCE SHEET ARRANGEMENTS

As at February 29, 2020 and November 30, 2019, we had no off-balance sheet arrangements.

## 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
	<u>\$ 459,855</u>	<u>\$ 418,663</u>

As at February 29, 2020, we 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, we 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, we 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, we were 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, we 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.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 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 and fair value of marketable securities without a public market, 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 consolidated financial statements include the factors that are used in determining the application of the going concern assumption which requires management to consider all the available information about the future, which is at least but not limited to, 12 months from the three months end of the reporting period.

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 our 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, we 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.

## Application of New and Revised Accounting Standards

### *IFRS 16 - Leases (“IFRS 16”)*

We 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. We 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 our 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.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on our condensed interim consolidated statement of financial position as at February 29, 2020, as follows:

	Fair Value Measurements Using			Balance February 29, 2020
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
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. Our credit risk is primarily attributable to accounts receivable. We minimize our 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, we limit our 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. We are mainly exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	February 29, 2020 USD	February 28, 2019 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.

### Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. We manage 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

We are 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.

### Commitments

We have 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. Our 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	\$ 170,864	\$ –	\$ –	–	\$ 170,864
Services Contracts	44,144	9,000	–	–	53,144
	<u>\$ 251,008</u>	<u>\$ 9,000</u>	<u>\$ –</u>	<u>–</u>	<u>\$ 224,008</u>

At February 29, 2020, our 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
	<u>\$ 283,088</u>

Other Commitments:

On September 2, 2017, 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, we 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 our initial public offering. 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 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, we 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.

## CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company, including our consolidated subsidiaries, is made known to senior management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) on a timely basis so that appropriate decisions can be made regarding public disclosure.

### Internal Control over Financial Reporting (“ICFR”)

Our management, with the participation of our CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the CEO and CFO, our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

### Limitations on the Effectiveness of Disclosure Controls and the Design of ICOFR

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

### SUBSEQUENT EVENTS

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

- On March 6, 2020, we 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.
- On April 2, 2020, we 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, we granted the following stock options:

- We 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.
- We 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.
- We 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.
- We 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) We 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, we 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 our subsidiary, NeonMind:
  - vi) 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.
  - vii) 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.
  - viii) 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.
  - ix) 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.
  - x) 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