

THE YIELD GROWTH CORP.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended May 31, 2020 and 2019
(Unaudited)

THE YIELD GROWTH CORP.

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

	May 31, 2020 (unaudited)	November 30, 2019
ASSETS		
Current assets		
Cash	\$ 174,834	\$ 145,140
Marketable securities (Note 3)	90,295	130,614
Accounts receivable (Note 10)	541,136	595,892
Inventory (Note 4)	889,450	663,659
Prepaid expenses and other assets	323,307	348,631
Total current assets	2,019,022	1,883,936
Non-current assets		
Marketable securities (Note 3)	750,000	–
Investment in associate (Note 5)	1,772,722	1,240,001
Right-of-use asset (Note 8)	250,131	–
Equipment (Note 6)	222,120	144,363
Intangible assets (Note 7)	138,681	161,803
Total non-current assets	3,133,654	1,546,167
Total assets	\$ 5,152,676	\$ 3,430,103
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 1,067,336	\$ 1,496,979
Deferred revenue (Notes 9 and 10)	413,180	478,654
Lease liability (Note 8)	72,921	–
Total current liabilities	1,553,437	1,975,633
Non-current liabilities		
Loan payable	80,000	–
Deferred revenue (Note 9 and 10)	424,132	175,342
Lease liability (Note 8)	233,594	–
Total non-current liabilities	737,726	175,342
Total liabilities	2,291,163	2,150,975
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	24,274,518	19,277,871
Shares issuable	58,600	50,600
Subscriptions received	291,000	–
Equity reserves	8,892,742	7,966,429
Accumulated other comprehensive income	(987)	(826)
Deficit	(30,918,302)	(26,121,149)
Total shareholders' equity available to The Yield Growth Corp. shareholders	2,597,571	1,172,925
Equity attributable to non-controlling interest (Note 15)	263,942	106,203
Total shareholders' equity	2,861,513	1,279,128
Total liabilities and shareholders' equity	\$ 5,152,676	\$ 3,430,103

Nature of operations and continuance of business (Note 1)
Commitments (Notes 8 and 19)
Subsequent events (Note 21)

Approved and authorized for issuance on behalf of the Board of Directors on July 30, 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		Six months ended	
	May 31,		May 31,	
	2020	2019	2020	2019
REVENUE				
Licensing and product sales (Notes 9)	\$ 160,079	\$ 1,105,496	\$ 291,063	\$ 1,196,756
Consulting	719	71,133	1,579	780,372
Total revenue	160,798	1,176,629	292,642	1,977,128
COST OF PRODUCTS AND SERVICES				
Cost of licensing and product sales	38,652	5,122	55,935	6,570
Cost of consulting services	566	50,145	1,258	376,525
Total cost of products and services	39,218	55,267	57,193	383,095
Gross profit	121,580	1,121,362	235,449	1,594,033
EXPENSES				
Advertising, marketing and media	705,456	1,710,653	1,288,629	3,565,271
Amortization and depreciation (Notes 6 and 7)	43,131	14,165	91,495	23,322
Consulting fees (Note 10)	349,709	273,468	1,070,109	752,530
Distribution fees	–	–	–	30,000
Information systems	26,175	252,675	91,050	465,950
Investor relations	10,700	102,256	107,800	160,353
Listing fees	9,477	26,352	20,489	165,152
Office and administrative	181,188	248,280	339,781	444,413
Product development, research and registration	40,719	161,875	173,634	251,866
Professional fees	132,693	182,342	204,058	302,230
Share-based compensation (Notes 10 and 13)	513,603	1,455,649	964,398	1,864,576
Wages (Note 10)	470,501	414,787	976,073	724,030
Total expenses	2,483,352	4,842,502	5,327,516	8,749,693
Net loss before other items	(2,361,772)	(3,721,140)	(5,092,067)	(7,155,660)
OTHER ITEMS				
Gain (loss) on sale of marketable securities (Note 3)	–	–	(4,293)	(238,985)
Unrealized loss on marketable securities (Note 3)	(46,186)	(135,636)	(49,389)	(180,660)
Loss from investment in associate (Note 5)	(43,578)	–	(82,279)	–
Loss on foreign exchange	(11,322)	(16,579)	(18,539)	(22,622)
Gain (loss) on settlement of accounts receivable (Note 3)	–	–	17,784	–
Gain (loss) on settlement of accounts payable	–	(272,817)	63,575	(338,025)
Total other items	(101,086)	(425,032)	(73,141)	(780,292)
NET LOSS FOR THE PERIOD	(2,462,858)	(4,146,172)	(5,165,208)	(7,935,952)
OTHER COMPREHENSIVE INCOME (LOSS)				
Realized loss on marketable securities	–	–	–	222,483
Unrealized gain (loss) on marketable securities	–	–	–	75,000
Unrealized foreign exchange gain (loss)	(449)	(216)	(161)	(216)
Comprehensive loss for the period	\$ (2,463,307)	\$ (4,146,388)	\$ (5,165,369)	\$ (7,638,685)
Net loss attributable to:				
Shareholders of the Company	(2,334,843)	(4,146,172)	(4,992,661)	(7,935,952)
Non-controlling interest (Note 15)	(128,015)	–	(172,547)	–
Net loss for the period	\$ (2,462,858)	\$ (4,146,172)	\$ (5,165,208)	\$ (7,935,952)
Comprehensive loss attributable to:				
Shareholders of the Company	(2,335,292)	(4,146,388)	(4,992,822)	(7,638,685)
Non-controlling interest (Note 15)	(128,015)	–	(172,547)	–
Comprehensive loss for the period	\$ (2,463,307)	\$ (4,146,388)	\$ (5,165,369)	\$ (7,638,685)
LOSS PER SHARE ATTRIBUTABLE TO THE YIELD GROWTH CORP. SHAREHOLDERS, BASIC AND DILUTED				
	\$ (0.02)	\$ (0.05)	\$ (0.04)	\$ (0.09)
Weighted average shares outstanding used in the calculation of net loss attributable to The Yield Growth Corp. per common share	123,165,000	87,905,000	116,866,000	83,736,000

(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 warrants reserve	Equity reserves	Shares issuable	Subscriptions received	Accumulated other comprehensive income (loss)		Non-controlling interest	Total shareholders' equity
	Number of shares	Amount					Deficit			
BALANCE, NOVEMBER 30, 2018	72,441,534	\$ 5,449,968	\$ 559,721	\$ 5,420,973	\$ –	\$ –	\$ 836,728	\$ (10,938,186)	\$ –	\$ 1,329,204
Units issued for cash	5,731,500	2,740,750	–	–	–	–	–	–	–	2,740,750
Share issuance costs	–	(384,795)	–	160,720	–	–	–	–	–	(224,075)
Shares issued on conversion of special warrants	1,212,700	559,721	(559,721)	–	–	–	–	–	–	–
Shares issued on exercise of stock options	1,455,000	869,926	–	(466,926)	–	–	–	–	–	403,000
Shares issued on exercise of warrants	6,995,509	4,706,168	–	(337,609)	–	–	–	–	–	4,368,559
Shares issued for consulting services	48,256	16,407	–	–	–	–	–	–	–	16,407
Units issued for consulting services	642,896	239,037	–	75,439	–	–	–	–	–	314,476
Units issued for intangible assets	230,000	170,700	–	102,603	–	–	–	–	–	273,303
Units issued to settle accounts payable	1,106,048	659,370	–	299,186	–	–	–	–	–	958,556
Fair value of stock options granted	–	–	–	1,864,576	–	–	–	–	–	1,864,576
Realized loss on marketable securities	–	–	–	–	–	–	222,483	–	–	222,483
Unrealized gain on marketable securities	–	–	–	–	–	–	75,000	–	–	75,000
Unrealized foreign exchange loss	–	–	–	–	–	–	(216)	–	–	(216)
Net loss for the period	–	–	–	–	–	–	–	(7,935,952)	–	(7,935,952)
Balance, May 31, 2019	89,863,443	\$ 15,027,252	\$ –	\$ 7,118,962	\$ –	\$ –	\$ 1,133,995	\$ (18,874,138)	\$ –	\$ 4,406,071
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	–	–	–	–	–	–	–	(43,661)	–	(43,661)
Units issued for cash	1,156,250	213,438	–	61,563	–	–	–	–	–	275,001
Special warrant units issued for cash	–	–	2,955,783	–	–	–	–	–	–	2,955,783
Shares issued on conversion of special warrants	20,907,119	2,897,994	(3,008,283)	110,289	–	–	–	–	–	–
Shares issued on exercise of stock options	120,000	20,194	–	(8,194)	–	–	–	–	–	12,000
Shares issued on exercise of warrants	2,803,332	564,320	–	–	–	–	–	–	–	564,320
Shares issued for consulting services	200,000	30,000	–	2,000	8,000	–	–	–	–	40,000
Special warrants issued to settle accounts payable	–	–	52,500	–	–	–	–	–	–	52,500
Subscriptions received	–	–	–	–	–	291,000	–	–	–	291,000
Fair value of stock options granted	–	–	–	574,891	–	–	–	–	–	574,891
Unrealized foreign exchange loss	–	–	–	–	–	–	(161)	–	–	(161)
Net loss for the period	–	–	–	–	–	–	–	(4,992,661)	(172,547)	(5,165,208)
Change in equity of subsidiary (Note 14)	–	1,753,815	–	272,105	–	–	–	–	–	2,025,920
Equity attributable to non-controlling interest	–	(483,114)	–	(86,341)	–	–	–	239,169	330,286	–
BALANCE, MAY 31, 2020	130,452,720	\$ 24,274,518	\$ –	\$ 8,892,742	\$ 58,600	\$ 291,000	\$ (987)	\$ (30,918,302)	\$ 263,942	\$ 2,861,513

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

THE YIELD GROWTH CORP.

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

	Six months ended May 31,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	\$ (5,165,208)	\$ (7,935,952)
Items not involving cash:		
Amortization of intangible assets	23,122	3,032
Consulting services paid in shares	40,000	16,407
Consulting services paid in units	39,485	314,476
Depreciation	68,373	20,290
Exercise of stock options for bonus expense	100,000	–
Interest expense on lease liability	29,627	–
Loss (gain) on sale of marketable securities	4,293	238,985
Loss (gain) on settlement of accounts payable	(63,575)	338,025
Loss (gain) on settlement of accounts receivable	(17,784)	–
Loss from investment in associate	82,279	–
Share-based compensation	964,398	1,864,576
Shares and warrants received for licensing and distribution rights	(415,000)	(1,000,000)
Unrealized loss (gain) on marketable securities	49,389	180,660
Changes in non-cash operating working capital:		
Accounts receivable	39,979	(612,873)
Inventory	(225,791)	(460,443)
Prepaid expenses and other assets	25,324	(237,219)
Accounts payable and accrued liabilities	(313,568)	1,252,379
Due to related parties	–	(58,767)
Deferred revenue	183,316	(166,210)
Net cash used in operating activities	(4,551,341)	(6,242,634)
INVESTING ACTIVITIES		
Purchase of equipment	(122,489)	(139,450)
Purchase of intangible assets	–	(15,000)
Purchase of investment in associate	(200,000)	–
Proceeds from sale of marketable securities	19,198	343,598
Website development costs	–	(138,350)
Net cash provided by investing activities	(303,291)	50,798
FINANCING ACTIVITIES		
Operating lease payments	(40,545)	–
Proceeds from government loan	80,000	–
Proceeds from issuance of units	1,078,866	2,740,750
Share issuance costs	(65,937)	(224,075)
Subscriptions received	291,000	–
Proceeds from exercise of stock options	21,000	403,000
Proceeds from exercise of special warrants	2,955,783	–
Proceeds from exercise of warrants	564,320	4,368,559
Net cash provided by financing activities	4,884,487	7,288,234
EFFECT OF FOREIGN EXCHANGE ON CASH	(161)	(216)
CHANGE IN CASH	29,694	1,096,182
Cash, beginning of period	145,140	36,211
CASH, END OF PERIOD	\$ 174,834	\$ 1,132,393

Supplemental disclosures (Note 17)

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

THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2020

(Expressed in Canadian Dollars)

(unaudited)

1. Nature of Operations and Continuance of Business

The Yield Growth Corp. (“Yield Growth” or the “Company”) was incorporated under the laws of the province of British Columbia, Canada, on November 28, 2014. On May 15, 2017, the Company changed its name from 1020439 B.C. Ltd. to Cannapay Financial Inc. On April 3, 2018, the Company changed its name to The Yield Growth Corp. The Company acquires, develops, manufactures, markets, sells and distributes plant-based products.

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 \$5,165,208 and used \$4,551,341 of cash for operating activities during the six months ended May 31, 2020. As at May 31, 2020, the Company had an accumulated deficit of \$30,918,302. 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 on our business, liquidity, capital resources and financial results.

THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2020

(Expressed in Canadian Dollars)

(unaudited)

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 consolidated 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 32% 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.

THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2020

(Expressed in Canadian Dollars)

(unaudited)

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 whether the Company has significant influence over another entity, and 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 liabilities was 16%. 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 May 31, 2020, there was no tangible information to determine the fair value of TLS shares. Management's judgment was to use the acquisition price, determined as the fair value of the units issued in NeonMind, as the fair value of TLS shares as at May 31, 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.

The Company has determined that it has significant influence in Kingdom Brands Inc. ("Kingdom") despite holding slightly less than 20% of the voting rights in Kingdom due to the CEO and President of the Company being the spouse of the CEO of Kingdom. As a result, Kingdom is considered an associate of the Company, and the investment in Kingdom is accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Company's proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's net assets, such as further investments or dividends.

THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2020

(Expressed in Canadian Dollars)

(unaudited)

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 \$43,661 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.

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.

(f) Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted. Management has assessed that there are no future accounting pronouncements that are expected to have a material impact on the Company in the current or future reporting periods.

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 May 31, 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 May 31, 2020.

THE YIELD GROWTH CORP.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2020

(Expressed in Canadian Dollars)

(unaudited)

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 May 31, 2020, the Company sold 130,500 (2019 – nil) Loop shares for total proceeds of \$19,198 (2019 – \$nil). As at May 31, 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. The Company’s investment in TLS has been classified as non-current as the Company has no intention to sell its investment in TLS in the next 12 months, and it will take considerable time and effort to find a buyer as TLS is a privately-owned company. All shares of TLS are being held as at May 31, 2020.

	Nov. 30, 2019 fair value	Additions	Proceeds from sale	Realized gain (loss) on sale	Unrealized gain (loss)	May 31, 2020 fair value
Current Assets:						
Vert-Warrants	77	–	–	–	(66)	11
Loop	23,491	–	(19,198)	(4,293)	–	–
HeyBryan-Shares	95,000	19,123	–	–	(31,954)	82,169
HeyBryan-Warrants	12,046	13,438	–	–	(17,369)	8,115
	<u>\$ 130,614</u>	<u>\$ 32,561</u>	<u>\$ (19,198)</u>	<u>\$ (4,293)</u>	<u>\$ (49,389)</u>	<u>\$ 90,295</u>
Non-current assets:						
TLS	–	750,000	–	–	–	750,000
Total	<u>\$ 130,614</u>	<u>\$ 782,561</u>	<u>\$ (19,198)</u>	<u>\$ (4,293)</u>	<u>\$ (49,389)</u>	<u>\$ 840,295</u>

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4. Inventory

	May 31, 2020 (unaudited)	November 30, 2019
Finished goods	\$ 362,182	\$ 202,520
Packaging & raw materials	474,350	418,253
Product samples and marketing materials	52,918	42,886
	<u>\$ 889,450</u>	<u>\$ 663,659</u>

During the six months ended May 31, 2020, cost of revenues includes inventory costs of \$55,935 (2019 - \$6,570).

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%.

On March 9, 2020, the Company purchased an additional 1,666,667 units of Kingdom for \$200,000 in a private placement, where each unit consists of one common share and one warrant exercisable at \$0.14 for a period of 24 months. The Company's ownership interest in Kingdom was increased to approximately 20%.

As the Company does not have the same reporting date as its associate, the Company was provided with unaudited financial statements for the six months ended May 31, 2020, to calculate the portion of net loss attributable to the Company. During the six months ended May 31, 2020, the Company recorded its proportionate loss from Kingdom of \$82,279 (2019 - \$nil). The carrying value of the Company's investment in Kingdom as at May 31, 2020 was \$1,772,722 (November 30, 2019 - \$1,240,001).

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5. Investment in Associate (continued)

The following table outlines the carrying amount of the investment in Kingdom as at May 31, 2020:

	Investment in associate
Carrying value of investment, November 30, 2019	\$ 1,240,001
Additions	615,000
Proportionate net loss	(82,279)
Carrying value of investment, May 31, 2020	<u>\$ 1,772,722</u>

The following table summarizes the financial information of the associate as of May 31, 2020 and for the three and six months ended May 31, 2020:

	May 31, 2020	November 30, 2019
Cash	\$ (2,936)	\$ 175,820
Current and total assets	1,092,585	1,389,516
Current and total liabilities	<u>894,320</u>	<u>857,441</u>
	Three months ended May 31, 2020	Six months ended May 31, 2020
Net and comprehensive loss for the period	<u>\$ (222,515)</u>	<u>\$ (485,537)</u>

6. Equipment

	Computer equipment	Furniture and display equipment	Telephone equipment	Lab equipment	Leasehold improvements	Total
Cost:						
Balance, November 30, 2019	97,552	112,339	2,378	13,807	3,750	229,826
Additions	1,375	48,270	–	–	72,844	122,489
Balance, May 31, 2020	<u>98,927</u>	<u>160,609</u>	<u>2,378</u>	<u>13,807</u>	<u>76,594</u>	<u>352,315</u>
Accumulated depreciation:						
Balance, November 30, 2019	61,112	21,435	754	1,927	235	85,463
Additions	16,876	21,404	239	1,381	4,832	44,732
Balance, May 31, 2020	<u>77,988</u>	<u>42,839</u>	<u>993</u>	<u>3,308</u>	<u>5,067</u>	<u>130,195</u>
Carrying amounts:						
As at November 30, 2019	\$ 36,440	\$ 90,904	\$ 1,624	\$ 11,880	\$ 3,515	\$ 144,363
As at May 31, 2020	<u>\$ 20,939</u>	<u>\$ 117,770</u>	<u>\$ 1,385</u>	<u>\$ 10,499</u>	<u>\$ 71,527</u>	<u>\$ 222,120</u>

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7. Intangible Assets

	Product Formulations	Website Development Costs	Total
Cost:			
Balance, November 30, 2019 and May 31, 2020	\$ 32,400	\$ 155,557	\$ 187,957
Accumulated depreciation:			
Balance, November 30, 2019	–	26,154	26,154
Additions	–	23,122	23,122
Balance, May 31, 2020	–	49,276	49,276
Carrying amounts:			
As at November 30, 2019	\$ 32,400	\$ 129,403	\$ 161,803
As at May 31, 2020	\$ 32,400	\$ 106,281	\$ 138,681

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.

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 16%. 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 \$229,117.

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.

The Company entered into a second lease agreement for a warehouse facility commencing on March 1, 2020. The associated lease liability and right-of-use asset recognized upon commencement of the warehouse lease was \$100,130.

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8. Right of Use Asset and Lease Liability (continued)

	Office lease	Warehouse lease	Total
Right of Use Asset:			
Value of right of use asset as at December 1, 2019	\$ 182,361	\$ –	\$ 182,361
Additions	–	100,130	100,130
Amortization	(27,354)	(5,006)	(32,360)
Right of use asset as at May 31, 2020	<u>\$ 155,007</u>	<u>\$ 95,124</u>	<u>\$ 250,131</u>
Lease liability:			
Lease liability recognized as at December 1, 2019	\$ 229,117	\$ –	\$ 229,117
Additions	–	100,130	100,130
Lease payments	(37,201)	(7,305)	(44,506)
Lease interest	17,813	3,961	21,774
Lease liability as at May 31, 2020	<u>\$ 209,729</u>	<u>\$ 96,786</u>	<u>\$ 306,515</u>
Current portion	59,150	13,771	72,921
Long-term portion	150,579	83,015	233,594
	<u>\$ 209,729</u>	<u>\$ 96,786</u>	<u>\$ 306,515</u>

At May 31, 2020, the Company's future lease payment obligations are as follows:

	Office lease	Warehouse lease	Total
Year ended November 30, 2020	\$ 46,274	\$ 14,610	\$ 60,884
Year ended November 30, 2021	92,548	29,220	121,768
Year ended November 30, 2022	92,548	29,220	121,768
Year ended November 30, 2023	30,849	29,220	60,069
Year ended November 30, 2024	–	29,220	29,220
Year ended November 30, 2025	–	7,305	7,305
	<u>\$ 262,219</u>	<u>\$ 138,795</u>	<u>\$ 401,014</u>

9. License Agreements

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 May 31, 2020, \$342,465 (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 \$9,132 (November 30, 2019 – \$175,342) recorded as non-current deferred revenues.

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9. License Agreements (continued)

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 Company satisfied all its obligations related to the agreement and the entire amount was recognized as revenue under IFRS 15 during the year ended November 30, 2019. The transaction is a related party transaction, as the President and CEO of the Company has significant influence in 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. The Company satisfied all its obligations related to the agreement and the entire amount was recognized as revenue under IFRS 15 during the year ended November 30, 2019. The transaction is a related party transaction, as the President and CEO of the Company has significant influence in Kingdom.

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, which is included in deferred revenue as at May 31, 2020. The Company expects to satisfy its obligations related to this agreement before the end of the year, upon which the entire amount will be recognized as revenue under IFRS 15. The transaction is a related party transaction, as the President and CEO of the Company has significant influence in Kingdom.

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 May 31, 2020, \$20,959 (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.

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10. Related Party Transactions

During the six months ended May 31, 2020 and 2019, compensation of key management personnel and related parties were as follows:

	Three months ended May 31,		Six months ended May 31,	
	2020	2019	2020	2019
Consulting fees	\$ 40,609	\$ 57,500	\$ 106,109	\$ 169,000
Share-based compensation	494,568	662,455	667,107	863,498
Wages	276,699	157,600	498,515	263,720
	<u>\$ 811,876</u>	<u>\$ 877,555</u>	<u>\$ 1,271,731</u>	<u>\$ 1,296,218</u>

As at May 31, 2020, the Company had a deferred revenue balance of \$415,000 (November 30, 2019 - \$nil) relating to a license agreement with a company where the President and CEO of the Company has significant influence, 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 May 31, 2020, the Company was owed \$39,726 (November 30, 2019 - \$625) by the related company, which is included in accounts receivable, and is unsecured, non-interest bearing, and due on demand.

11. Share Capital

Authorized: unlimited number of common shares without par value.

During the six months ended May 31, 2020, the Company completed the following transactions:

- 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.
- On May 20, 2020, the Company closed a non-brokered private placement of 156,250 units at \$0.16 per unit for proceeds of \$25,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.16 per share for a period of one year.
- On May 20, 2020, the Company issued 200,000 units in exchange for consulting services with a fair value of \$32,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.16 per share for a period of one year.
- 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.
- The Company issued 2,803,332 common shares for proceeds of \$564,320 pursuant to the exercise of share purchase warrants.
- The Company issued 20,907,119 common shares pursuant to the conversion of 20,907,119 special warrants. The fair value of the warrants of \$3,008,283 was transferred from special warrants reserve to share capital and equity reserves upon conversion.

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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.

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.

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12. Share Purchase Warrants (continued)

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.

On March 6, 2020, the Company closed a non-brokered private placement of 3,840,625 units at \$0.16 per unit for proceeds of \$614,500. 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 \$0.20 per share for a period of 9 months from the date of the issuance.

On April 2, 2020, the Company closed a non-brokered private placement of 5,000,000 units at \$0.10 per unit for proceeds of \$500,000. 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 \$0.13 per share for a period of 12 months from the date of the issuance.

On May 1, 2020, the Company closed a non-brokered private placement of 5,000,000 units at \$0.10 per unit for proceeds of \$500,000. 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 \$0.13 per share for a period of 12 months from the date of the issuance.

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12. Share Purchase Warrants (continued)

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

	Number of warrants	Weighted average exercise price
Balance, November 30, 2019	39,795,907	\$ 1.25
Issued	22,263,369	0.18
Exercised	(2,803,332)	0.20
Expired	(12,938,481)	2.74
Balance, May 31, 2020	46,317,463	\$ 0.38

As at May 31, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
91,219	\$ 0.40	June 7, 2020
949,500	\$ 0.25	June 13, 2020
1,356,300	\$ 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
3,840,625	\$ 0.20	December 6, 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
5,000,000	\$ 0.13	April 2, 2021
5,000,000	\$ 0.13	May 1, 2021
356,250	\$ 0.16	May 20, 2021
122,500	\$ 0.30	August 7, 2021
6,060,593	\$ 0.35	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
46,317,463		

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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	3,948,000	0.21
Exercised	(120,000)	0.10
Expired/cancelled	(1,346,500)	0.45
Outstanding, May 31, 2020	16,079,328	0.40
Exercisable, May 31, 2020	11,189,742	\$ 0.46

Additional information regarding stock options outstanding and exercisable as at May 31, 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	2.40
\$ 0.15	970,000	750,000	3.15
\$ 0.17	100,000	–	4.90
\$ 0.195	1,300,000	130,000	4.59
\$ 0.205	200,000	–	4.78
\$ 0.210	1,190,000	–	4.69
\$ 0.23	1,140,000	1,140,000	3.55
\$ 0.245	150,000	62,500	4.53
\$ 0.25	116,500	66,500	4.20
\$ 0.27	40,000	40,000	4.29
\$ 0.28	803,000	178,000	4.58
\$ 0.285	200,000	200,000	4.63
\$ 0.31	70,000	55,000	4.07
\$ 0.34	600,000	183,333	4.39
\$ 0.38	620,000	155,000	4.13
\$ 0.40	2,940,000	2,940,000	2.75
\$ 0.50	55,000	55,000	3.08
\$ 0.51	240,000	240,000	3.61
\$ 0.57	125,028	41,676	3.95
\$ 0.58	1,000,000	1,000,000	3.98
\$ 0.62	1,673,000	1,601,000	3.74
\$ 0.69	600,000	600,000	3.92
\$ 0.70	356,800	228,400	3.88
\$ 0.73	200,000	133,333	3.76
\$ 0.78	1,110,000	1,110,000	3.73
	16,079,328	11,189,742	3.77

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13. Stock Options (continued)

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended May 31, 2020, the Company recognized share-based compensation expense of \$574,891 (2019 - \$1,864,576) in equity reserves, of which \$343,773 (2019 - \$863,498) pertains to directors and officers of the Company. The weighted average fair value of options granted during the six months ended May 31, 2020, was \$0.15 (2019 - \$0.49) per share. The weighted average share price for stock options exercised was \$0.26 (2019 - \$0.28). Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2020	2019
Risk-free interest rate	1.07%	1.68%
Dividend yield	0%	0%
Expected volatility	109%	150%
Expected life (years)	4.80	4.87

As at May 31, 2020 there was \$478,540 (November 30, 2019 - \$513,960) of unrecognized share-based compensation related to unvested stock options.

14. Changes in Equity of Subsidiary

The following table presents the changes in equity related to the Company's subsidiary, NeonMind:

	Share Capital	Equity Reserves	Total shareholders' equity
Units issued for cash	\$ 803,865	\$ –	\$ 803,865
Share issuance costs	(108,360)	42,424	(65,936)
Shares issued on exercise of stock options	353,306	(244,306)	109,000
Units issued for purchase of investments	750,000	–	750,000
Units issued for services	10,500	–	10,500
Restricted share units for services	–	28,985	28,985
Share cancellations	(55,496)	55,496	–
Fair value of stock options granted	–	356,805	356,805
Fair value of restricted share units granted	–	32,701	32,701
Change in equity of subsidiary	\$ 1,753,815	\$ 272,105	\$ 2,025,920

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15. Non-controlling Interests

The following table presents the summarized financial information about the Company's subsidiary, NeonMind, that has non-controlling interests of 32%. This information represents amounts before intercompany eliminations.

	May 31, 2020	November 30, 2019
Summarized statement of financial position:		
Current assets	\$ 192,029	\$ 107,689
Current liabilities	158,654	1,268,224
Current net assets	33,375	(1,160,535)
Non-current assets	1,658,385	32,400
Non-current liabilities	1,106,245	–
Non-current net assets	552,140	32,400
Net assets	\$ 585,515	\$ (1,128,135)
Accumulated non-controlling interests	\$ 263,942	\$ 106,203

NeonMind was incorporated under the laws of the province of British Columbia, Canada, on September 18, 2019, therefore, there was no comparative information for the same periods of the prior year.

	Three months ended May 31, 2020	Six months ended May 31, 2020
Summarized statement of comprehensive loss:		
Net and comprehensive income (loss)	\$ (494,557)	\$ (812,270)
Loss allocated to non-controlling interests	\$ (128,015)	\$ (172,547)
	Six months ended May 31, 2020	
Summarized statement of cash flows:		
Cash flows from operating activities	\$ (732,589)	
Cash flows from financing activities	746,929	
Net increase in cash	\$ 14,340	

16. 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 six months ended May 31, 2020. The Company is not subject to externally imposed capital requirements.

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17. Supplemental Disclosures

	May 31, 2020	May 31, 2019
Non-cash investing and financing activities:		
Fair value of broker's warrants issued as finder's fees	\$ —	\$ 160,720
Units issued for the settlement of accounts payable	—	958,556
Special warrants issued for settlement of accounts payable	52,500	—
Units received for settlement of accounts receivable	32,561	—
Shares received as payment for licensing fees	—	1,000,000
Units issued for product development	—	273,303
Units issued for investment	750,000	—
Reclassification of equity reserves for exercise of options and warrants	8,194	804,535

18. 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 May 31, 2020, as follows:

	Fair Value Measurements Using			Balance May 31, 2020
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Marketable securities	\$ 82,169	\$ 8,126	\$ 750,000	\$ 840,295
Investment in associate	—	1,772,722	—	1,772,722
	\$ 82,169	\$ 1,780,848	\$ 750,000	\$ 2,613,017

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:

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18. Financial Instruments and Risk Management (continued)

	May 31, 2020	May 31, 2019
	USD	USD
Cash	\$ 3,686	\$ 8,757
Accounts payable and accrued liabilities	(109,690)	(83,532)
Net exposure	\$ (106,004)	\$ (74,775)
Canadian dollar equivalent	\$ (146,148)	\$ (101,149)

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 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.

19. Commitments

The Company has entered into multiple non-cancellable binding purchase orders for operational items that have yet to be fulfilled as of May 31, 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	\$ 123,637	\$ –	\$ –	\$ –	\$ 123,637
Services Contracts	21,000	6,000	–	–	27,000
	\$ 144,637	\$ 6,000	\$ –	\$ –	\$ 150,637

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19. Commitments (continued)

Other Commitments:

On September 2, 2017, the Company's wholly-owned subsidiary, Urban Juve, entered into an Asset Purchase and Distribution Agreement whereby Urban Juve was granted exclusive and international distribution rights to various plant and root-based products developed by a supplier. The term of the agreement is for twenty years and will be automatically renewed for twenty additional years unless terminated by the parties. As consideration for the distribution rights, the Company issued 3,600,000 common shares with a fair value of \$180,000, paid an initial payment of \$6,000 on the effective date of the agreement, and paid a second payment of \$30,000 upon completion of the initial public offering by the Company. Urban Juve will also pay a royalty fee of 10% of the net revenues from the sale of any products under the agreement.

On September 2, 2017, in conjunction with the Asset Purchase and Distribution Agreement, Urban Juve entered into a consulting agreement with the same supplier whereby the supplier would create new products specifically for Urban Juve and provide consulting services on an ongoing basis. The term of the agreement is two years and will be automatically renewed for one additional year unless terminated by the parties. In consideration for the consulting services, Urban Juve will pay consulting fees of \$5,000 per month, which will increase to \$10,000 per month upon Urban Juve achieving \$40,000 in monthly net revenues on the sale of the products.

On 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.

20. 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 and six months ended May 31, 2020 and 2019:

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20. Segmented Information (continued)

	Licensing and product sales	Consulting	Corporate and product development	Total
For the three months ended May 31, 2020:				
Revenue	\$ 160,079	\$ 719	\$ –	\$ 160,798
Net income (loss) before taxes	(361,456)	(45,686)	(2,055,716)	(2,462,858)
For the six months ended May 31, 2020:				
Revenue	\$ 291,063	\$ 1,579	\$ –	\$ 292,642
Net income (loss) before taxes	(594,513)	(31,523)	(4,539,172)	(5,165,208)
As at May 31, 2020:				
Total assets	2,730,839	92,406	2,329,431	5,152,676
Total liabilities	892,310	18,622	1,380,231	2,291,163

	Licensing and product sales	Consulting	Corporate and product development	Total
For the three months ended May 31, 2019:				
Revenue	\$ 1,105,496	\$ 71,133	\$ –	\$ 1,176,629
Net income (loss) before taxes	230,778	20,900	(4,397,850)	(4,146,172)
For the six months ended May 31, 2019:				
Revenue	\$ 1,196,756	\$ 780,372	\$ –	\$ 1,977,128
Net income (loss) before taxes	(703,152)	402,784	(7,635,584)	(7,935,952)
As at May 31, 2019:				
Total assets	2,437,556	701,422	2,957,105	6,096,083
Total liabilities	\$ (1,166,728)	\$ (72,633)	\$ (450,651)	\$ (1,690,012)

Significant customers

For the three months ended May 31, 2020, the Company had three significant customers in the licensing and product sales segment, comprising 52%, 14% and 13% of the Company's total revenue.

For the six months ended May 31, 2020, the Company had two significant customers in the licensing and product sales segment, comprising 57% and 19% of the Company's total revenue.

As at May 31, 2020, the Company had one significant accounts receivable balance outstanding relating to the consulting segment and two significant accounts receivable balances outstanding relating to the licensing and product sales segment, comprising 16%, 25% and 11% of the Company's total accounts receivable respectively.

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

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

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21. Subsequent Events

(a) Subsequent to May 31, 2020, the Company issued the following special warrants:

- i) On June 9, 2020, the Company issued 5,392,564 special warrants in exchange for consulting services with total fair value of \$593,182. 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 \$0.135 for a period of six 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 June 12, 2020.
- ii) On July 28, 2020, the Company issued 7,000,000 units at a price of \$0.10 per unit for aggregate proceeds of \$700,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.11 for a period of two years from the date of issuance for an additional common share of the Company.
- iii) On July 29, 2020, the Company issued 3,201,777 special warrants at \$0.10 per special warrant to settle accounts payable of \$320,178. 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 \$0.11 for a period of two years from the date of issuance for an additional common share of the Company.
- iv) On July 29, 2020, the Company issued 3,798,221 special warrants at a price of \$0.10 per special warrant for aggregate proceeds of \$379,822. 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 \$0.11 for a period of two years from the date of issuance for an additional common share of the Company. Pursuant to the private placement, the Company paid a finder's fee of \$1,300 and issued 13,000 finders' warrants exercisable at \$0.10 per unit for a period of two years.

(b) Subsequent to May 31, 2020, the Company granted the following stock options:

- i) The Company granted 50,000 stock options to an employee, which are exercisable at \$0.14 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 100,000 stock options to an employee, which are exercisable at \$0.12 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.
- iii) The Company granted 30,000 stock options to an employee, which are exercisable at \$0.10 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.

(c) The following events were subsequent to May 31, 2020 and relate to the Company's subsidiary, NeonMind:

- i) On June 9, 2020, NeonMind increased the exercise price of 1,920,000 existing stock options from \$0.05 per share to \$0.10 per share, of which 1,120,000 stock options pertain to directors and officers of NeonMind.

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21. Subsequent Events (continued)

- ii) On June 11, 2020, NeonMind amended the vesting schedule of 800,00 stock options that were previously fully vested to the following: 5% of the options vest 30 days after NeonMind's securities are listed on a Canadian securities exchange, 5% vest 90 days after the listing date, 7.5% vest 6 months after the listing date, 7.5% vest 9 months after the listing date, 20% of the remaining options vest 12 months after the listing date, 25% of the remaining options vest 18 months after the listing date, 33% of the remaining options vest 24 months after the listing date, 50% of the remaining options vest 30 months after listing date, and the remaining options vest 36 months after the listing date.
- iii) On June 11, 2020, NeonMind added a restriction on 12,000,000 share purchase warrants to only be exercisable 10 months after the date NeonMind's securities are listed on a Canadian securities exchange.
- iv) On June 12, 2020, NeonMind granted 500,000 stock options to a consultant, which are exercisable at \$0.10 per share for a period of five years. The stock options granted vest as follows: 5% of the options vest 30 days after NeonMind's securities are listed on a Canadian securities exchange, 5% vest 90 days after the listing date, 7.5% vest 6 months after the listing date, 7.5% vest 9 months after the listing date, 20% of the remaining options vest 12 months after the listing date, 25% of the remaining options vest 18 months after the listing date, 33% of the remaining options vest 24 months after the listing date, 50% of the remaining options vest 30 months after listing date, and the remaining options vest 36 months after the listing date.
- v) On June 12, 2020, NeonMind granted 256,250 restricted share units to various consultants in exchange for services with a total fair value of \$20,500, which will be converted to common shares upon redemption. The restricted share units vest in two equal tranches over 4 months after the date that NeonMind's securities are listed on a Canadian securities exchange.