

THE YIELD GROWTH CORP.

Management's Discussion & Analysis

For the Three and Six months Ended May 31, 2020 and 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 68% owned subsidiary NeonMind Biosciences Inc. (formerly Flourish Mushroom Labs Inc.) ("NeonMind") for the three and six months ended May 31, 2020 and 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 and six months ended May 31, 2020 and 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 \$2,462,858 and \$5,165,208, respectively, for the three and six months ended May 31, 2020 and used \$4,551,341 of cash for operating activities during the six months ended May 31, 2020. As at May 31, 2020, we had working capital of \$465,585 and 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 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 cash requirements. As of May 31, 2020, we have raised and registered \$7.8 million of capital through our shelf prospectus, and we had \$2.2 million remaining on the shelf prospectus to qualify future capital raises. We intend to file a second shelf prospectus for future financings to expand our product offerings and increase direct to consumer sales through e-commerce and digital marketing.

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 and six months ended May 31, 2020 include the following:

- We continued to grow our assets and total assets increased by 51% to \$5.2 million from \$3.4 million at November 30, 2019.
- We increased our working capital to \$465,585 as at May 31, 2020 as compared to a working capital deficit of \$91,697 at November 30, 2019. The increase in working capital was primarily due to an increase in inventory and a decrease in accounts payable and accrued liabilities.
- Other than a non-interest bearing COVID-19 related government loan of \$80,000, we have no commercial loans, no short-term loans, no long-term loans, and we have no outstanding 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.

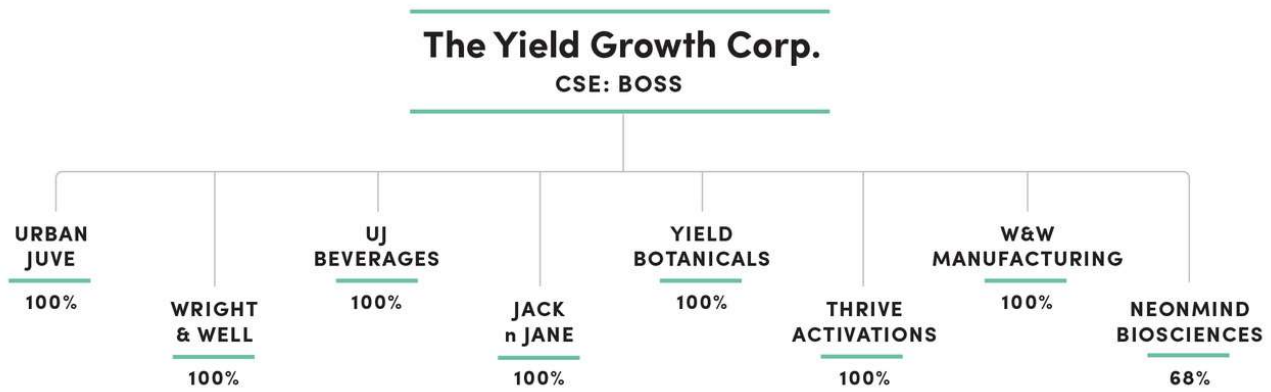
We have more than 200 proprietary wellness formulas at various stages of commercialization, and all of the products we develop are plant-based and created to improve lives through enhanced wellness. We have over 20 products that are now for sale through e-commerce or brick and mortar retail stores. We conduct research into plant-based therapeutics, including protection against infectious diseases, and we have filed 14 patent applications to protect our extraction method and formulas. We have received a Natural Product Number (“NPN”) for 3 products from Health Canada and we have listed our hand sanitizer gel for sale with the US Food and Drug Administration (the “FDA”). Our majority owned subsidiary NeonMind is launching a line of functional mushroom products and engaged in research and development for therapeutic uses of compounds in psychedelic mushrooms.

Evolving for Tomorrow

We continuously evolve 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 and we are currently in the early stages of research and development for a plant-based antiviral and antimicrobial topical product intended to fight against infectious diseases. 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. In June 2020, we launched our hand sanitizer liquid spray. The product is currently available on our ecommerce website, UrbanJuve.com. This product and two other hand sanitizer products have received NPN numbers from Health Canada. Our hand sanitizer gel was successfully listed with the FDA, which we intend to launch in August 2020. We ordered packaging for 100,000 units of hand sanitizer gel and we plan to manufacture an initial run of 10,000 units in August 2020 for distribution in the US and Canada. We are also processing orders from distribution and retail channels including retail stores that are part of national chain Pharmasave.

In July 2020, our products were listed on Amazon.ca. We plan to get our products listed on Amazon.com in the near future.

In July 2020 we also launched our second-generation ecommerce website, UrbanJuve.com. The new website improved functionality with additional payment options and better functionality and options designed to improve the user experience for shoppers and to increase sales. We are increasing support of direct to consumer sales through increased spending on digital media and social media advertising, including influencer campaigns. We previously signed distribution agreements for our products to be sold in retail in various countries in Europe and South America and we had previously shipped products to Greece for retail sale. However, since the outbreak of COVID-19 in March 2020, our international distribution activities (outside of the U.S and Canada) have been on hold. We expect that our distribution through retail channels will contract as we increase our focus and resources on building direct to consumer sales through ecommerce.

NeonMind™

NeonMind continues commercialization of our functional mushroom-infused coffees. We are also reviewing our extensive product catalogue to select the next products to commercialize. 4 ayurvedic coffees are planned for launch in October 2020 and contain medicinal mushrooms reishi, chaga, lion's mane and turkey tail. Our marketing team has designed packaging and branding for our medicinal mushroom products. All ingredient, packaging and co-packing partners have been identified and confirmed. Purchase orders for certain key ingredients have been placed.

We are also planning to commence a preclinical trial to develop a psilocybin-based product that can be used to treat obesity and assist with weight loss. Before we can commercialize our product, we must first complete Phase 2 and Phase 3 human trials to demonstrate to Health Canada efficacy and safety of our planned product. Prior to conducting Phase 2 human clinical trials, we plan to conduct a preclinical study. The goal of our preclinical study is to use preclinical models to investigate microdose administration of psilocybin as a treatment for weight loss and food craving and to give us data regarding dosing. Our therapeutic development will be based on a translational approach in which preclinical studies are conducted in preparation for Phase 2 human clinical trials ("Phase 2 Human Trials").

We engaged Translational Life Sciences Inc. ("TLS") to design and conduct a preclinical study using psilocybin as a treatment for weight loss and food craving (the "Study"). According to the terms of the TLS engagement, NeonMind

and TLS will work together to conduct the evaluation of psilocybin on cravings, on the metabolism, on food addiction and on glucose and hormone levels. NeonMind authorized TLS to perform activities required to prepare for and conduct the study and the parties shall work towards entering into a clinical study agreement. NeonMind agreed to pay for all costs related to the study and TLS agreed to oversee obtaining required regulatory exemptions and licenses, and engagement of all necessary parties to conduct the study.

In May 2020, TLS completed the design of the Study. TLS identified a laboratory at a University in Canada in which to conduct the Study (the "Lab"). Before NeonMind can enter into an agreement with the Lab, the Lab must first obtain exemptions from the Canadian Minister of Health pursuant to Subsection 56(1) of the Controlled Drugs and Substances Act, S.C. 1996, c. 19 ("Section 56 Exemptions") by the researchers at the Lab to allow them to use psilocybin, a controlled substance, in the Study. NeonMind expects the exemption to be granted within a few months. Researchers at the Lab have previously obtained Section 56 Exemptions for research involving controlled substances.

TLS has identified a source of synthetically created psilocybin, manufactured by a licensed laboratory in Canada (the "Supplier"). Once NeonMind has entered into a supply agreement with the Lab, and the Lab has obtained approval to allow it to engage in research using psilocybin, then the Lab can order psilocybin from the Supplier for use in the Study.

In June 2020, NeonMind filed a preliminary prospectus for an initial public offering of up to \$4,000,000 in gross proceeds leading to listing on the Canadian Securities Exchange ("CSE"). We have since received an initial comment letter from the BC Securities Commission and we intend to file an amended prospectus in response to the comments within a few weeks.

Cannabis Brands Wright & Well™ and Jack n Jane™

Yield Growth has been in development of its cannabis brand intended for distribution in Canada, Jack n Jane. It intends to build on the learnings from its Wright & Well THC-infused pain management line, launched in Oregon, U.S., in Q1 2020.

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 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 preparing for commercial production and launch.

W & W Manufacturing

With the adoption of the *Farm Bill* into law in late 2018, topical products containing cannabidiol (CBD) derived from hemp are federally legal in the United States, subject to state law and compliance with FDA. In the future, we plan to launch a line of products for CBD from hemp 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. 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. We also plan to put more emphasis on direct to consumer sales through e-commerce and we are actively looking to acquire other plant-based consumer brands.

OVERALL PERFORMANCE

For the three and six months ended May 31, 2020, we realized licensing and product sales of \$160,079 and \$291,063 respectively, as compared to \$1,105,496 and \$1,196,756 for the same periods of the prior year. Prior year revenue included a one-time licensing transaction of \$1,000,000 with Kingdom Brands Inc. ("Kingdom"). Product sales totaled \$53,376 and \$78,817 for the three and six months ended May 31, 2020 as compared to \$21,477 and \$30,546 for the same periods of the prior year, representing a growth of 149% and 158% respectively.

We did not have material consulting revenue for the three and six months ended May 31, 2020. 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 \$71,133 and \$780,372 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 a net loss of \$2,462,858 and \$5,165,208 for three and six months ended May 31, 2020 as compared to \$4,146,172 and \$7,935,952 for the same periods of the prior year, representing a reduction in loss of 41% and 35% respectively driven by management of expenses. The losses 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.

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 and six months as determined by IFRS, or as a substitute for an analysis of our Financial Statements. Reconciliation of Adjusted EBITDA for the three and six months ended May 31, 2020 and 2019:

	For the three months ended		For the six months ended	
	2020	May 31, 2019	2020	May 31, 2019
	\$	\$	\$	\$
Net loss for the three and six months	(2,462,858)	(4,146,172)	(5,165,208)	(7,935,952)
Add:				
Depreciation & Amortization	43,131	14,165	91,495	23,322
Adjustments:				
Share-based compensation	513,603	1,455,649	964,398	1,864,576
Loss from investment in associate	43,578	-	82,279	-
Loss (gain) on settlement of accounts receivable	-	-	(17,784)	-
Loss (gain) on settlement of accounts payable	-	272,817	(63,575)	338,025
Loss on sale of marketable securities	-	-	4,293	238,985
Unrealized loss on marketable securities	46,186	135,636	49,389	180,660
Adjusted EBITDA	(1,816,360)	(2,267,905)	(4,054,713)	(5,290,384)

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. As we continue to invest in our business, we were also able to reduce our expenses and operating losses.

DISCUSSION ON OPERATIONS

Revenue

For the three and six months ended May 31, 2020, we realized licensing and product sales of \$160,079 and \$291,063 respectively, as compared to \$1,105,496 and \$1,196,756 for the same periods of the prior year. Prior year revenue included a one-time licensing transaction of \$1,000,000 with Kingdom. Product sales totaled \$53,376 and \$78,817 for the three and six months ended May 31, 2020 as compared to \$21,477 and \$30,546 for the same periods of the prior year, representing a growth of 149% and 158% respectively.

We did not have material consulting revenue for the three and six months ended May 31, 2020. 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 \$71,133 and \$780,372 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.

Subsequent to the quarter ended May 31, 2020, we launched our hand sanitizer liquid spray. We also listed our Urban Juve products on Amazon.ca. We also started to receive orders from large national retainers, including Pharmasave. We will continue to open diversified sales channels, with a focus on direct to consumer channels, to enable our products to reach our targeted consumers.

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 and six months ended May 31, 2020, we incurred \$705,456 and \$1,288,629 in advertising, marketing and media expenses respectively, as compared to \$1,710,653 and \$3,565,271 for the same periods 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:

	Three months ended May 31,		Six months ended May 31,	
	2020	2019	2020	2019
Promotions & Events	\$ 14,125	\$ 149,960	\$ 23,492	\$ 170,567
Marketing Expenses	105,680	204,839	140,449	250,515
Marketing Materials	60,565	34,260	125,476	49,730
Public Relations	29,800	18,752	45,689	49,439
Media	490,566	1,276,275	937,048	2,950,140
Product Samples and other	4,720	26,567	16,475	94,880
Total advertising, marketing and media	<u>\$ 705,456</u>	<u>\$ 1,710,653</u>	<u>\$ 1,288,629</u>	<u>\$ 3,565,271</u>

Amortization & Depreciation

Depreciation and amortization are related to office rental lease, computer equipment, furniture, telephone equipment, leasehold improvements, lease assets and website development costs. For the three and six months ended May 31, 2020, we incurred depreciation and amortization expenses of \$43,131 and \$91,495 respectively as compared to \$14,165 and \$23,322 for the same periods of the prior year respectively. The increase in depreciation expense was driven by amortization of leasehold improvement and intangible assets.

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 and six months ended May 31, 2020, we incurred consulting expenses of \$349,709 and \$1,070,109 respectively as compared to \$273,468 and \$752,530 for the same periods of the prior year respectively. 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.

Information Systems

We incurred expenses on Information Systems, primarily to establish our enterprise resource management 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 and six months ended May 31, 2020, we incurred expenses in information systems of \$26,175 and \$91,050 respectively as compared to \$252,675 and \$465,950 for the same periods of the prior year. The decrease in information systems expenses was due to one-time costs incurred in setting up information systems in the prior year, which were not required in the current year.

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 and six months ended May 31, 2020, we incurred \$10,700 and \$107,800 respectively as compared to \$102,256 and \$160,353 for the same periods of the prior year respectively. Investor relations expenses increased to support ongoing efforts to expand visibility within the North American and European investment community. Such activities were not material for the same period of the prior year.

Listing fees

We incurred listing fees of \$9,477 and \$20,489 for the three and six months ended May 31, 2020 respectively to maintain our ongoing listing status as compared to \$26,352 and \$165,152 for the same periods of the prior year respectively, which were higher due to listing expenses during our initial public offering in December 2018.

Office and Administrative Expenses

For the three and six months ended May 31, 2020, we incurred office expenses of \$181,188 and \$339,781 respectively as compared to \$248,280 and \$444,413 for the same periods of the prior year respectively. The decrease in office expenses was driven by expense management initiatives targeting at reducing operating expenses.

Breakdown of office and administrative expenses is as follows:

	Three months ended May 31,		Six months ended May 31,	
	2020	2019	2020	2019
Dues and subscriptions	\$ 24,958	\$ 12,457	\$ 43,042	\$ 18,032
Insurance	25,211	71,973	53,202	129,134
Office rent	13,275	27,900	29,136	47,196
Office expenses	36,823	18,625	60,706	41,330
Logistics	19,582	13,577	41,439	20,026
Telephone	7,270	14,075	16,792	22,553
Travel	324	61,490	17,162	114,504
Other expenses	53,745	28,183	78,302	51,638
Total office and administrative	\$ 181,188	\$ 248,280	\$ 339,781	\$ 444,413

Product Development, Research and Registration

Product development, research and registration expenses are related to product testing, research and regulatory registrations. For the three and six months ended May 31, 2020, we incurred product testing costs of \$40,719 and \$173,634 respectively as compared to \$161,875 and \$251,866 for the same periods of the prior year respectively. The decrease in product development, research and registration was driven by reduced product development activities as we have developed a catalogue that is sufficient to support our short-and mid-term development goals.

Professional Fees

Professional fees are primarily related to legal, accounting, recruiting and audit services. For the three and six months ended May 31, 2020, we incurred professional fees of \$132,693 and \$204,058 respectively as compared to \$182,342 and 302,230 for the same periods of the prior year respectively. 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 and six months ended May 31, 2020, we incurred share-based compensation expense of \$513,603 and \$964,398 respectively as compared to \$1,455,649 and \$1,864,576 for the same periods of the prior year respectively. The decrease in share-based compensation expenses was driven by the vesting schedule of underlying stock options as the majority of our stock options have become fully vested this year.

Wages

Wages expenses for the three and six months ended May 31, 2020 was \$470,501 and \$976,073 respectively as compared to \$414,787 and \$724,030 for the same periods of the prior year respectively. The increase in wages were driven by added staff to support brand development and product sales and distribution activities, which resulted in reduced consulting agency fees.

Gain (Loss) from Settlement of Accounts Payable

We settled certain liabilities with shares to preserve cash, and during the three and six months ended May 31, 2020, we recorded a gain on settlement of \$nil and \$63,575 respectively. We incurred losses of \$272,817 and \$338,025 for the same periods of the prior year.

Unrealized Gain (Loss) on Marketable Securities

Our investments in marketable securities were valued at their fair market value at the period end. Changes in the fair value of underlying securities will generate an unrealized gain or loss. As a result, we incurred an unrealized loss of \$46,186 and \$49,389 for the three and six months ended May 31, 2020 respectively, as compared to \$135,636 and \$180,660 for the same periods of the prior year.

Loss from Investment in Associate

During the three and six months ended May 31, 2020, we recorded a proportionate loss from our investment in Kingdom of \$43,578 and \$82,279 respectively, as compared to \$nil and \$nil for the same periods of the prior year. Kingdom is an early stage development company with no revenues and is engaged in launching its business and intends to complete a go public transaction this year to list its shares on a Canadian stock exchange.

Net Loss

We incurred a net loss of \$2,462,858 and \$5,165,208 for the three and six months ended May 31, 2020 as compared to \$4,146,172 and \$7,935,952 for the same periods of the prior year. The decrease in loss was primarily driven by control measures for operating expenses.

Comprehensive Loss

For the three and six months ended May 31, 2020, we had a comprehensive loss of \$2,463,307 and \$5,165,369 as compared to \$4,146,388 and \$7,638,685 for the same periods of the prior year.

Dividends

No dividends were declared or paid for the three and six months ended May 31, 2020 and 2019.

SUMMARY OF QUARTERLY RESULTS

Since inception we have generated revenues of \$7,367,000.

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	\$ 160,798	\$ 131,844	\$ 146,365	\$ 1,895,751
Net loss	(2,462,858)	(2,702,350)	(6,215,389)	(1,869,647)
Basic & diluted loss per share	(0.02)	(0.02)	(0.07)	(0.02)

	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	\$ 1,176,629	\$ 800,498	\$ 639,863	\$ 416,650
Net loss	(4,146,172)	(3,789,780)	(2,518,900)	(3,737,120)
Basic & diluted loss per share	(0.05)	(0.04)	(0.03)	(0.05)

LIQUIDITY

	May 31, 2020	November 30, 2019
Current ratio ⁽¹⁾	1.30	0.95
Cash	\$ 174,834	\$ 145,140
Working capital surplus (deficit) ⁽²⁾	\$ 465,585	\$ (91,697)
Debt ⁽³⁾	\$ 80,000	\$ -
Equity attributable to Yield Shareholders	\$ 2,597,571	\$ 1,172,925

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

(2) Working capital is current assets minus current liabilities

(3) Debt as of May 31, 2020 consisted of Canada Emergency Business Account interest-free loans from the Canadian government as part of its COVID-19 financial assistance program. We have not held any commercial debt to date.

Cash Position

As at May 31, 2020, we had \$174,834 of cash as compared to \$145,140 at November 30, 2019. For the six months ended May 31, 2020, cash used in operating activities was \$4,551,341 consisting of operating expenditures 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 \$6,242,634 for the same period of the prior year which was driven by operating expenses and an increase in accounts receivable and inventory. Cash used in investing activities was \$303,291 for the six months ended May 31, 2020, consisting of purchase of investments and equipment as compared to cash provided by investing activities of \$50,798 for the same period of the prior year driven by proceeds from the sale of marketable securities offset by purchase of equipment and website development costs. Cash provided by financing activities was \$4,884,487 for the six months ended May 31, 2020, which was primarily from proceeds received from the issuance of units and special warrants through private placements, as well as the exercise of warrants and options by investors, as compared to \$7,288,234 for the same period of the prior year, consisting mainly of proceeds from the issuance of units and exercise of warrants and options by investors.

Working Capital

We had a working capital of \$465,585 as at May 31, 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 an increase in inventory and a decrease in accounts payable and accrued liabilities.

CAPITAL RESOURCES AND MANAGEMENT

As at May 31, 2020, we had cash of \$174,834. We are authorized to issue an unlimited number of common shares. As at May 31, 2020, there were 130,452,720 common shares issued and outstanding. We also had 46,317,463 share purchase warrants with weighted average exercise price of \$0.38 and 16,079,328 stock options with weighted average exercise price of \$0.40.

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 May 31, 2020 and November 30, 2019, we had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three and 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, we 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, we were 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.

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 whether the Company has significant influence over another entity, and 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 and six months 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 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 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 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.

We have determined that we have significant influence in Kingdom despite holding slightly less than 20% of its voting rights 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 our 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 our 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.

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 \$43,661 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.

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.

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.

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 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. 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:

	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 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 May 31, 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				
	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

At May 31, 2020, our future lease payment obligations are as follows:

	May 31, 2020
Year ended November 30, 2020	\$ 60,884
Year ended November 30, 2021	121,768
Year ended November 30, 2022	121,768
Year ended November 30, 2023	60,069
Year ended November 30, 2024	29,220
Year ended November 30, 2025	7,305
	\$ 401,014

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 ICFR

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 May 31, 2020, we closed the following special warrant tranches:
- i) On June 9, 2020, we 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, we 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, we issued 3,201,777 special warrants at a price of \$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, we 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, we 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, we granted the following stock options:
- i) We 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) We 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) We 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 our 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.
 - 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.