

better

PLANT SCIENCES

(formerly The Yield Growth Corp.)

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended August 31, 2020 and 2019
(Unaudited)

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2020 (unaudited)	November 30, 2019
ASSETS		
Current assets		
Cash	\$ 82,729	\$ 145,140
Marketable securities (Note 3)	44,207	130,614
Accounts receivable	545,716	595,892
Inventory (Note 4)	1,015,339	663,659
Prepaid expenses and other assets	178,019	348,631
Total current assets	1,866,010	1,883,936
Non-current assets		
Investment (Note 3)	750,000	–
Investment in associate (Note 5)	1,658,592	1,240,001
Right-of-use asset (Note 8)	231,447	–
Equipment (Note 6)	196,655	144,363
Intangible assets (Note 7)	109,851	161,803
Total non-current assets	2,946,545	1,546,167
Total assets	\$ 4,812,555	\$ 3,430,103
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 577,400	\$ 1,496,979
Deferred revenue (Note 9)	277,699	478,654
Lease liability (Note 8)	82,756	–
Total current liabilities	937,855	1,975,633
Non-current liabilities		
Loan payable	80,000	–
Deferred revenue (Note 9 and 10)	415,000	175,342
Lease liability (Note 8)	205,334	–
Total non-current liabilities	700,334	175,342
Total liabilities	1,638,189	2,150,975
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	26,265,670	19,277,871
Shares issuable	–	50,600
Subscriptions received	80,000	–
Equity reserves	9,135,957	7,966,429
Accumulated other comprehensive income	204	(826)
Deficit	(32,444,298)	(26,121,149)
Total shareholders' equity available to Better Plant Sciences shareholders	3,037,533	1,172,925
Equity attributable to non-controlling interest (Note 15)	136,833	106,203
Total shareholders' equity	3,174,366	1,279,128
Total liabilities and shareholders' equity	\$ 4,812,555	\$ 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 October 30, 2020:

/s/ "Spiros Margaris"
Director/s/ "Cole Drezdoff"
Director*(The accompanying notes are an integral part of these condensed interim consolidated financial statements)*

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(unaudited)

	Three months ended		Nine months ended	
	August 31,		August 31,	
	2020	2019	2020	2019
REVENUE				
Licensing and product sales (Notes 9)	\$ 164,680	\$ 1,718,373	\$ 455,743	\$ 2,915,129
Consulting	11,041	177,378	12,620	957,750
Total revenue	175,721	1,895,751	468,363	3,872,879
COST OF PRODUCTS AND SERVICES				
Cost of licensing and product sales (Note 4)	138,896	12,005	194,831	18,575
Cost of consulting services	5,660	111,151	6,918	487,676
Total cost of products and services	144,556	123,156	201,749	506,251
Gross profit	31,165	1,772,595	266,614	3,366,628
EXPENSES				
Advertising, marketing and media	312,869	1,535,383	1,601,498	5,100,654
Amortization and depreciation (Notes 6, 7 and 8)	55,773	33,829	147,268	57,151
Consulting fees (Note 10)	228,055	408,236	1,298,164	1,160,766
Distribution fees	1,500	–	1,500	30,000
Information systems	25,568	161,300	116,618	627,250
Investor relations	–	148,078	107,800	308,431
Listing fees	18,250	1,901	38,739	167,053
Office and administrative	116,185	213,224	455,966	657,637
Product development, research and registration	40,829	153,305	214,463	405,171
Professional fees	89,285	146,524	293,343	448,754
Share-based compensation (Notes 10, 13 and 14)	267,091	744,692	1,231,489	2,609,268
Wages (Note 10)	423,317	443,116	1,399,390	1,167,146
Total expenses	1,578,722	3,989,588	6,906,238	12,739,281
Net loss before other items	(1,547,557)	(2,216,993)	(6,639,624)	(9,372,653)
OTHER ITEMS				
Gain (loss) on sale of marketable securities (Note 3)	–	427,134	(4,293)	188,149
Unrealized loss on marketable securities (Note 3)	(46,088)	(97,730)	(95,477)	(278,390)
Loss from investment in associate (Note 5)	(114,130)	–	(196,409)	–
Loss on impairment of intangible assets (Note 7)	(17,206)	–	(17,206)	–
Gain (loss) on foreign exchange	12,414	17,942	(6,125)	(4,680)
Gain (loss) on settlement of accounts receivable (Note 3)	–	–	17,784	–
Gain (loss) on settlement of accounts payable	–	–	63,575	(338,025)
Total other items	(165,010)	347,346	(238,151)	(432,946)
NET LOSS FOR THE PERIOD	(1,712,567)	(1,869,647)	(6,877,775)	(9,805,599)
OTHER COMPREHENSIVE INCOME (LOSS)				
Realized loss on marketable securities	–	(621,757)	–	(399,274)
Unrealized gain (loss) on marketable securities	–	(244,262)	–	(169,262)
Unrealized foreign exchange gain (loss)	1,191	(429)	1,030	(645)
Comprehensive loss for the period	\$ (1,711,376)	\$ (2,736,095)	\$ (6,876,745)	\$ (10,374,780)
Net loss attributable to:				
Shareholders of the Company	(1,619,282)	(1,869,647)	(6,611,943)	(9,805,599)
Non-controlling interest (Note 15)	(93,285)	–	(265,832)	–
Net loss for the period	\$ (1,712,567)	\$ (1,869,647)	\$ (6,877,775)	\$ (9,805,599)
Comprehensive loss attributable to:				
Shareholders of the Company	(1,618,091)	(2,736,095)	(6,610,913)	(10,374,780)
Non-controlling interest (Note 15)	(93,285)	–	(265,832)	–
Comprehensive loss for the period	\$ (1,711,376)	\$ (2,736,095)	\$ (6,876,745)	\$ (10,374,780)
LOSS PER SHARE ATTRIBUTABLE TO BETTER PLANT SCIENCES SHAREHOLDERS, BASIC AND DILUTED				
	\$ (0.01)	\$ (0.02)	\$ (0.06)	\$ (0.11)
Weighted average shares outstanding used in the calculation of net loss attributable to Better Plant Sciences per common share	139,871,000	90,620,000	124,562,000	86,048,000

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

BETTER PLANT SCIENCES INC. (formerly 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)
Special warrants issued for cash	-	-	2,286,680	-	-	-	-	-	-	2,286,680
Special warrant issuance costs	-	-	(199,998)	99,480	-	-	-	-	-	(100,518)
Shares issued on conversion of special warrants	7,127,633	2,169,199	(2,169,199)	-	-	-	-	-	-	-
Shares issued on exercise of stock options	1,455,000	869,926	-	(466,926)	-	-	-	-	-	403,000
Shares issued on exercise of warrants	6,995,509	4,706,168	-	(337,609)	-	-	-	-	-	4,368,559
Shares issued for consulting services	48,256	16,407	-	-	-	-	-	-	-	16,407
Units issued for consulting services	786,743	291,611	-	80,866	-	-	-	-	-	372,477
Units issued for intangible assets	230,000	170,700	-	102,603	-	-	-	-	-	273,303
Units issued to settle accounts payable	1,106,048	659,371	-	299,186	-	-	-	-	-	958,557
Fair value of stock options granted	-	-	-	2,609,268	-	-	-	-	-	2,609,268
Realized loss on marketable securities	-	-	-	-	-	-	(399,274)	-	-	(399,274)
Unrealized gain on marketable securities	-	-	-	-	-	-	(169,262)	-	-	(169,262)
Unrealized foreign exchange loss	-	-	-	-	-	-	(645)	-	-	(645)
Net loss for the period	-	-	-	-	-	-	-	(9,805,599)	-	(9,805,599)
Balance, August 31, 2019	95,922,223	\$ 16,689,305	\$ 477,204	\$ 7,968,561	\$ -	\$ -	\$ 267,547	\$ (20,743,785)	\$ -	\$ 4,658,832
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	8,156,250	913,437	-	61,563	-	-	-	-	-	975,000
Special warrant units issued for cash	-	-	3,836,855	-	-	-	-	-	-	3,836,855
Special warrant issuance costs	-	-	(2,030)	730	-	-	-	-	-	(1,300)
Shares issued on conversion of special warrants	33,299,681	4,189,147	(4,299,436)	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	(50,600)	-	-	-	-	(18,600)
Special warrants issued to settle accounts payable	-	-	464,611	-	-	-	-	-	-	464,611
Subscriptions received	-	-	-	-	-	80,000	-	-	-	80,000
Fair value of stock options granted	-	-	-	689,443	-	-	-	-	-	689,443
Unrealized foreign exchange loss	-	-	-	-	-	-	1,030	-	-	1,030
Net loss for the period	-	-	-	-	-	-	-	(6,611,943)	(265,832)	(6,877,775)
Change in equity of subsidiary (Note 14)	-	1,753,815	-	459,500	-	-	-	-	-	2,213,315
Equity attributable to non-controlling interest	-	(483,114)	-	(145,803)	-	-	-	332,455	296,462	-
BALANCE, AUGUST 31, 2020	149,845,282	\$ 26,265,670	\$ -	\$ 9,135,957	\$ -	\$ 80,000	\$ 204	\$ (32,444,298)	\$ 136,833	\$ 3,174,366

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

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(unaudited)

	Nine months ended August 31,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	\$ (6,877,775)	\$ (9,805,599)
Items not involving cash:		
Amortization of intangible assets	34,746	14,656
Cancellation of shares issuable for consulting services	(50,600)	–
Consulting services paid in shares	30,000	16,407
Consulting services paid in units	76,341	372,477
Depreciation	112,522	42,495
Exercise of stock options for bonus expense	100,000	–
Impairment of website costs	17,206	–
Interest expense on lease liability	41,644	–
Loss (gain) on sale of marketable securities	4,293	(188,149)
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	196,409	–
Share-based compensation	1,231,489	2,609,268
Shares and warrants received for licensing and distribution rights	(415,000)	(2,700,000)
Unrealized loss on marketable securities	95,477	278,390
Changes in non-cash operating working capital:		
Accounts receivable	35,399	(794,385)
Inventory	(351,680)	(719,825)
Prepaid expenses and other assets	170,612	(19,892)
Accounts payable and accrued liabilities	(391,393)	1,356,475
Due to related parties	–	(58,427)
Deferred revenue	38,703	(118,228)
Net cash used in operating activities	(5,982,966)	(9,376,312)
INVESTING ACTIVITIES		
Purchase of equipment	(122,489)	(146,860)
Purchase of intangible assets	–	(15,000)
Purchase of investment in associate	(200,000)	–
Proceeds from sale of marketable securities	19,198	809,350
Website development costs	–	(167,600)
Net cash provided by (used in) investing activities	(303,291)	479,890
FINANCING ACTIVITIES		
Operating lease payments	(70,987)	–
Proceeds from government loan	80,000	–
Proceeds from issuance of units	1,778,865	2,740,750
Share issuance costs	(65,937)	(224,075)
Subscriptions received	80,000	–
Proceeds from exercise of stock options	21,000	403,000
Proceeds from issuance of special warrants	3,836,855	2,286,680
Special warrant issuance costs	(1,300)	(100,518)
Proceeds from exercise of warrants	564,320	4,368,559
Net cash provided by financing activities	6,222,816	9,474,396
EFFECT OF FOREIGN EXCHANGE ON CASH	1,030	(645)
CHANGE IN CASH	(62,411)	577,329
Cash, beginning of period	145,140	36,211
CASH, END OF PERIOD	\$ 82,729	\$ 613,540

Supplemental disclosures (Note 17)

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

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

(unaudited)

1. Nature of Operations and Continuance of Business

Better Plant Sciences Inc. (“Better Plant” or the “Company”) (formerly “The Yield Growth Corp.”) was incorporated under the laws of the province of British Columbia, Canada, on November 28, 2014. On August 18, 2020, the Company changed its name from The Yield Growth Corp. to Better Plant Sciences Inc. 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 \$6,877,775 and used \$5,982,966 of cash for operating activities during the nine months ended August 31, 2020. As at August 31, 2020, the Company had an accumulated deficit of \$32,444,298. 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. As a result of the pandemic, the Company experienced delays in certain planned product launches. 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, and is working on alternative measures and resources to minimize such impact. 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.

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

August 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.

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

August 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, 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 judgment 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. 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.

(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 condensed interim consolidated financial statements.

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(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 August 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 August 31, 2020.

BETTER PLANT SCIENCES INC. (formerly The Yield Growth Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

August 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 August 31, 2020, the Company sold 130,500 (2019 – 880,500) Loop shares for proceeds of \$19,198 (2019 – \$465,752). As at August 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 August 31, 2020, and management assessed that the fair value of its investment in TLS remains unchanged based on forecasted business plans and projections in TLS.

	Nov. 30, 2019 fair value	Additions	Proceeds from sale	Realized loss on sale	Unrealized loss	August 31, 2020 fair value
Current Assets:						
Vert-Warrants	77	–	–	–	(77)	–
Loop	23,491	–	(19,198)	(4,293)	–	–
HeyBryan-Shares	95,000	19,123	–	–	(73,038)	41,085
HeyBryan-Warrants	12,046	13,438	–	–	(22,362)	3,122
	<u>\$ 130,614</u>	<u>\$ 32,561</u>	<u>\$ (19,198)</u>	<u>\$ (4,293)</u>	<u>\$ (95,477)</u>	<u>\$ 44,207</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>\$ (95,477)</u>	<u>\$ 794,207</u>

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4. Inventory

	August 31, 2020 (unaudited)	November 30, 2019
Finished goods	\$ 360,002	\$ 202,520
Packaging & raw materials	609,051	418,253
Product samples and marketing materials	46,286	42,886
	<u>\$ 1,015,339</u>	<u>\$ 663,659</u>

During the nine months ended August 31, 2020, cost of revenues includes inventory costs of \$194,831 (2019 - \$18,575).

5. Investment in Associate

Komo Plant Based Foods Inc. (formerly Kingdom Brands Inc.) (“Komo Foods”) is developing alternative meat products and also makes and sells branded clothing and personal care products and provides services to a cannabis dispensary permit holder in California.

On May 28, 2019, the Company entered into a license agreement with Komo Food’s subsidiary, Kingdom Brands Management 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 Komo Foods, with a fair value of \$829,148, representing an 8% ownership interest in Komo Foods.

The Company has determined that it has significant influence in Komo Foods despite holding less than 20% of the voting rights in Komo Foods due to the CEO and President of the Company being the spouse of the CEO of Komo Foods. Effective May 28, 2019, the Company’s investment in Komo Foods was accounted for as an investment in associate 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.

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

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

On March 9, 2020, the Company purchased an additional 1,666,667 units of Komo Foods 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 Komo Foods was increased to approximately 20%.

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5. Investment in Associate (continued)

As the Company does not have the same reporting date as its associate, the Company was provided with unaudited financial statements for the nine months ended August 31, 2020, to calculate the portion of net loss attributable to the Company. During the nine months ended August 31, 2020, the Company recorded its proportionate loss from Komo Foods of \$196,409 (2019 - \$nil). The carrying value of the Company's investment in Komo Foods as at August 31, 2020 was \$1,658,592 (November 30, 2019 - \$1,240,001).

The following table outlines the carrying amount of the investment in Komo Foods as at August 31, 2020:

	Investment in associate
Carrying value of investment, November 30, 2019	\$ 1,240,001
Additions	615,000
Proportionate net loss	(196,409)
Carrying value of investment, August 31, 2020	<u>\$ 1,658,592</u>

The following tables summarize the financial information of Komo Foods as of August 31, 2020 and for the three and nine months ended August 31, 2020:

	August 31, 2020	November 30, 2019
Cash	\$ 85,027	\$ 175,820
Current and total assets	945,341	1,389,516
Current and total liabilities	<u>840,466</u>	<u>857,441</u>

	Three months ended August 31, 2020	Nine months ended August 31, 2020
Net loss and comprehensive loss for the period	<u>\$ (70,394)</u>	<u>\$ (1,199,265)</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, August 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	21,815	34,789	358	2,071	11,164	70,197
Balance, August 31, 2020	<u>82,927</u>	<u>56,224</u>	<u>1,112</u>	<u>3,998</u>	<u>11,399</u>	<u>155,660</u>
Carrying amounts:						
As at November 30, 2019	\$ 36,440	\$ 90,904	\$ 1,624	\$ 11,880	\$ 3,515	\$ 144,363
As at August 31, 2020	<u>\$ 16,000</u>	<u>\$ 104,385</u>	<u>\$ 1,266</u>	<u>\$ 9,809</u>	<u>\$ 65,195</u>	<u>\$ 196,655</u>

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7. Intangible Assets

	Product Formulations	Website Development Costs	Total
Cost:			
Balance, November 30, 2019	\$ 32,400	\$ 155,557	\$ 187,957
Impairment	–	(17,206)	(17,206)
Balance, August 31, 2020	32,400	138,351	170,751
Accumulated depreciation:			
Balance, November 30, 2019	–	26,154	26,154
Additions	–	34,746	34,746
Balance, August 31, 2020	–	60,900	60,900
Carrying amounts:			
As at November 30, 2019	\$ 32,400	\$ 129,403	\$ 161,803
As at August 31, 2020	\$ 32,400	\$ 77,451	\$ 109,851

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 recorded 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. The Company is uncertain about its plans for further development and launch of one of its e-commerce websites and as a result, management assessed that the costs relating to that website no longer meet the capitalization standards of IAS 38, and recognized an impairment loss on the carrying value of the website as at August 31, 2020.

8. Right of Use Asset and Lease Liability

Upon adoption of IFRS 16, 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%, which is the rate estimated by management on the Company's ability to source debt financing to fund its operations. The associated lease liability recognized on December 1, 2019 was \$229,117, and was applied using the modified retrospective approach in accordance with IFRS 16.

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.

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

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.

	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	(41,031)	(10,013)	(51,044)
Right of use asset as at August 31, 2020	<u>\$ 141,330</u>	<u>\$ 90,117</u>	<u>\$ 231,447</u>
Lease liability:			
Lease liability recognized as at December 1, 2019	\$ 229,117	\$ –	\$ 229,117
Additions	–	100,130	100,130
Lease payments	(56,377)	(14,610)	(70,987)
Lease interest	22,044	7,786	29,830
Lease liability as at August 31, 2020	<u>\$ 194,784</u>	<u>\$ 93,306</u>	<u>\$ 288,090</u>
Current portion	67,128	15,628	82,756
Long-term portion	127,656	77,678	205,334
	<u>\$ 194,784</u>	<u>\$ 93,306</u>	<u>\$ 288,090</u>

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

	Office lease	Warehouse lease	Total
Year ended November 30, 2020	\$ 23,137	\$ 7,305	\$ 30,442
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>\$ 239,082</u>	<u>\$ 131,490</u>	<u>\$ 370,572</u>

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9. Deferred Revenue

The Company recorded the following deferred revenue pursuant to licensing agreements and client deposits and retainers:

	Balance, November 30, 2019	Additions	Recognized in profit and loss	Reclassification from non-current to current	Balance, August 31, 2020
Current liabilities:					
Vert Infrastructure Ltd.	\$ 334,247	\$ –	\$ (251,142)	\$ 175,342	\$ 258,447
Melorganics	66,082	–	(66,082)	–	–
Client deposits & retainers	78,325	2,643	(61,716)	–	19,252
	<u>\$ 478,654</u>	<u>\$ 2,643</u>	<u>\$ (378,940)</u>	<u>\$ 175,342</u>	<u>\$ 277,699</u>
Non-current liabilities:					
Vert Infrastructure Ltd.	175,342	–	–	(175,342)	–
Komo Foods	–	415,000	–	–	415,000
	<u>175,342</u>	<u>415,000</u>	<u>–</u>	<u>(175,342)</u>	<u>–</u>
Total deferred revenue	<u>\$ 653,996</u>	<u>\$ 417,643</u>	<u>\$ (378,940)</u>	<u>\$ –</u>	<u>\$ 692,699</u>

On February 20, 2020, the Company entered into a license agreement with Komo Foods whereby the Company granted a 25-year non-exclusive license to the Company's proprietary mushroom extraction technology to Komo Foods for use in the United States. Pursuant to the license agreement, the Company received 5,000,000 common shares of Komo Foods, with a fair value of \$415,000, which is included in deferred revenue as at August 31, 2020. Due to the impact of the COVID-19 pandemic, Komo Foods' plans have been delayed, and the timing of utilization of the technology is uncertain. Management estimates a delay of at least 12 months and as a result, classified the deferral as non-current as at August 31, 2020. The transaction is a related party transaction, as the President and CEO of the Company has significant influence in Komo Foods.

10. Related Party Transactions

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

	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
Consulting fees	\$ 40,550	\$ 102,500	\$ 146,659	\$ 271,500
Product development	22,014	–	95,500	–
Share-based compensation	209,176	365,843	887,683	1,229,341
Wages	166,900	223,364	665,415	487,084
	<u>\$ 438,640</u>	<u>\$ 691,707</u>	<u>\$ 1,795,257</u>	<u>\$ 1,987,925</u>

As at August 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.

As at August 31, 2020, the Company owed \$14,488 (November 30, 2019 - \$17,189) to the Chief Financial Officer ("CFO") of the Company and a company controlled by the CFO of the Company, which is included in accounts payable and accrued liabilities, and is unsecured, non-interest bearing, and due on demand.

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11. Share Capital

Authorized: unlimited number of common shares without par value.

During the nine months ended August 31, 2020, the Company completed the following transactions:

- (a) On December 31, 2019, the Company closed a non-brokered private placement of 1,000,000 units at \$0.25 per unit for proceeds of \$250,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.265 per share for a period of one year.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) The Company issued 2,803,332 common shares for proceeds of \$564,320 pursuant to the exercise of share purchase warrants.
- (f) The Company issued 33,299,681 common shares pursuant to the conversion of 33,299,681 special warrants. The fair value of the warrants of \$4,299,436 was transferred from special warrants reserve to share capital and equity reserves upon conversion.
- (g) On July 17, 2020, the Company closed a non-brokered private placement of 7,000,000 units at \$0.10 per unit for proceeds of \$700,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.11 per share for a period of two years.

12. Share Purchase Warrants

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	41,668,931	0.10
Exercised	(2,803,332)	0.20
Expired	(16,655,128)	2.24
Balance, August 31, 2020	62,006,378	\$ 0.29

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12. Share Purchase Warrants (continued)

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

Number of warrants outstanding	Exercise price	Expiry date
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
5,392,564	\$ 0.14	December 9, 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
7,000,000	\$ 0.11	June 29, 2022
13,000	\$ 0.10	July 29, 2022
6,999,998	\$ 0.11	July 29, 2022
5,460,000	\$ 0.50	October 30, 2023
200,000	\$ 0.34	January 3, 2024
<u>62,006,378</u>		

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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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.

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12. Share Purchase Warrants (continued)

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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$0.195 per share for a period of six months from the date of the issuance.

On February 6, 2020, the Company closed a non-brokered private placement of 226,071 units at \$0.28 per unit for proceeds of \$63,300. Each unit consisted of one special warrant and one warrant. Each special warrant entitles the holder to acquire, without additional payment, one common share on the earlier of: (a) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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)

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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from 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 June 9, 2020, the Company closed a non-brokered private placement of 4,556,817 units at \$0.11 per unit for proceeds of \$501,250. 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$0.135 per share for a period of six months from the date of the issuance.

On June 9, 2020, the Company issued 835,747 units at \$0.11 per unit to settle accounts payable of \$91,934. 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$0.135 per share for a period of six months from the date of the issuance.

On July 29, 2020, the Company closed a non-brokered private placement of 3,798,221 units at \$0.10 per unit for proceeds of \$379,822. 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$0.11 per share for a period of six months from the date of the issuance. Pursuant to the special warrant issuance, the Company paid finder's fees of \$1,300 and issued 13,000 finder's options with a fair value of \$730. Each finder's option is exercisable without payment of additional consideration for one finder's warrant, exercisable at \$0.10 per unit for a period of two years. The estimated fair value associated with the finder's options granted was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant date of \$0.10; an annualized volatility of 109%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 0.23%.

On July 29, 2020, the Company issued 3,201,777 units at \$0.10 per unit to settle accounts payable of \$320,178. 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) three business days following the delivery of a prospectus supplement in compliance with applicable Canadian securities laws; and (b) four months and one day from the date of issuance of the special warrants. Each warrant is exercisable to purchase one common share of the Company at \$0.11 per share for a period of six months from the date of the issuance.

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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	5,278,000	0.19
Exercised	(120,000)	0.10
Expired/cancelled	(2,056,500)	0.41
Outstanding, August 31, 2020	16,699,328	0.38
Exercisable, August 31, 2020	12,648,096	\$ 0.43

Additional information regarding stock options outstanding and exercisable as at August 31, 2020, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$ 0.10	1,460,000	280,000	4.39
\$ 0.12	100,000	–	4.80
\$ 0.14	50,000	–	4.78
\$ 0.15	970,000	750,000	2.90
\$ 0.17	100,000	12,500	4.64
\$ 0.195	1,300,000	260,000	4.34
\$ 0.205	100,000	12,500	4.53
\$ 0.210	1,190,000	1,145,000	4.44
\$ 0.23	1,140,000	1,140,000	3.30
\$ 0.245	150,000	75,000	4.28
\$ 0.25	116,500	91,500	3.95
\$ 0.27	40,000	40,000	4.04
\$ 0.28	788,000	364,000	4.33
\$ 0.285	200,000	200,000	4.38
\$ 0.31	70,000	56,667	3.82
\$ 0.34	225,000	225,000	4.14
\$ 0.38	620,000	206,667	3.88
\$ 0.40	2,740,000	2,740,000	2.49
\$ 0.50	55,000	55,000	2.83
\$ 0.51	230,000	230,000	3.36
\$ 0.57	125,028	52,095	3.70
\$ 0.58	1,000,000	1,000,000	3.73
\$ 0.62	1,663,000	1,600,000	3.48
\$ 0.69	600,000	600,000	3.66
\$ 0.70	356,800	260,500	3.63
\$ 0.73	200,000	141,667	3.51
\$ 0.78	1,110,000	1,110,000	3.48
	16,699,328	12,648,096	3.62

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13. Stock Options (continued)

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the nine months ended August 31, 2020, the Company recognized share-based compensation expense of \$1,231,489 (2019 - \$2,609,268) in equity reserves, of which \$887,683 (2019 - \$1,229,341) pertains to directors and officers of the Company. The weighted average fair value of options granted during the nine months ended August 31, 2020, was \$0.12 (2019 - \$0.44) 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	0.84%	1.59%
Dividend yield	0%	0%
Expected volatility	109%	150%
Expected life (years)	4.79	4.82

As at August 31, 2020, there was \$502,371 (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)	42,423	(65,937)
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	–	63,841	63,841
Share cancellations	(55,496)	55,496	–
Fair value of stock options granted	–	436,962	436,962
Fair value of restricted share units granted	–	105,084	105,084
Change in equity of subsidiary	\$ 1,753,815	\$ 459,500	\$ 2,213,315

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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.

	August 31, 2020	November 30, 2019
Summarized statement of financial position:		
Current assets	\$ 66,274	\$ 107,689
Current liabilities	211,140	1,268,224
Current net assets (liabilities)	(144,866)	(1,160,535)
Non-current assets	1,178,785	32,400
Non-current liabilities	1,106,245	–
Non-current net assets (liabilities)	72,540	32,400
Net liabilities	\$ (72,326)	\$ (1,128,135)
Accumulated non-controlling interests	\$ 136,833	\$ 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 August 31, 2020	Nine months ended August 31, 2020
Summarized statement of comprehensive loss:		
Net loss and comprehensive loss	\$ (845,237)	\$ (1,657,507)
Loss allocated to non-controlling interests	\$ (93,285)	\$ (265,832)
	Nine months ended August 31, 2020	
Summarized statement of cash flows:		
Cash flows from operating activities	\$ (853,102)	
Cash flows from financing activities	746,928	
Net change in cash	\$ (106,174)	

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 nine months ended August 31, 2020. The Company is not subject to externally imposed capital requirements.

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17. Supplemental Disclosures

	August 31, 2020	August 31, 2019
Non-cash investing and financing activities:		
Fair value of broker's warrants issued as finder's fees	\$ 42,424	\$ 260,200
Units issued for the settlement of accounts payable	–	958,557
Special warrants issued for settlement of accounts payable	464,611	–
Units received for settlement of accounts receivable	32,561	250,000
Shares received as payment for licensing fees	–	2,700,000
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 August 31, 2020, as follows:

	Fair Value Measurements Using			Balance August 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	\$ 41,085	\$ 3,122	\$ –	\$ 44,207
Investment	–	–	750,000	750,000
Investment in associate	–	1,658,592	–	1,658,592
	\$ 41,085	\$ 1,661,714	\$ 750,000	\$ 2,452,799

The fair values of other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, loans payable, and lease liabilities, 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.

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18. Financial Instruments and Risk Management (continued)

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:

	August 31, 2020	August 31, 2019
	USD	USD
Cash	\$ 668	\$ 6,700
Accounts receivable	1,816	–
Accounts payable and accrued liabilities	(89,061)	(134,669)
Net exposure	<u>\$ (86,577)</u>	<u>\$ (127,969)</u>
Canadian dollar equivalent	<u>\$ (112,914)</u>	<u>\$ (170,135)</u>

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 August 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	\$ 11,130	\$ –	\$ –	\$ –	\$ 11,130	\$ 11,130
Services Contracts	18,000	3,000	–	–	21,000	21,000
	<u>\$ 29,130</u>	<u>\$ 3,000</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 32,130</u>	<u>\$ 32,130</u>

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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.

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20. Segmented Information (continued)

The following is a summary of the Company's results by operating segment for the three and nine months ended August 31, 2020 and 2019:

	Licensing and product sales	Consulting	Corporate and product development	Total
For the three months ended August 31, 2020:				
Revenue	\$ 164,680	\$ 11,041	\$ –	\$ 175,721
Net income (loss) before taxes	(284,285)	(43,215)	(1,385,067)	(1,712,567)
For the nine months ended August 31, 2020:				
Revenue	\$ 455,743	\$ 12,620	\$ –	\$ 468,363
Net income (loss) before taxes	(878,798)	(74,738)	(5,924,239)	(6,877,775)
As at August 31, 2020:				
Total assets	2,601,271	60,590	2,150,694	4,812,555
Total liabilities	593,666	16,525	1,027,998	1,638,189

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

Significant customers

For the three months ended August 31, 2020, the Company had three (2019 - two) significant customers in the licensing and product sales segment, comprising 83% (2019 - 85%) of the Company's total revenue.

For the nine months ended August 31, 2020, the Company had two (2019 - two) significant customers in the licensing and product sales segment, comprising 70% (2019 - 67%) of the Company's total revenue, and no significant customers in the consulting segment (2019 - one significant customer comprising 25% of the Company's total revenue).

As at August 31, 2020, the Company had one (2019 - one) significant accounts receivable balance outstanding relating to the consulting segment and one (2019 - nil) significant accounts receivable balance outstanding relating to the licensing and product sales segment, comprising 57% (2019 - 87%) and 18% (2019 - 0%) of the Company's total accounts receivable respectively.

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21. Subsequent Events

- (a) On September 1, 2020, the Company issued 2,352,941 special warrants at a price of \$0.085 per unit for aggregate proceeds of \$200,000, and 63,000 special warrants in exchange for consulting services with total fair value of \$5,355. 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 \$0.095 for a period of eight months from the date of issuance for an additional common share of the Company.
- (b) Subsequent to August 31, 2020, the Company granted the following stock options:
 - i) 50,000 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.
 - ii) 200,000 stock options to an employee, which are exercisable at \$0.10 per share for a period of five years. The stock options vest over 24 months in 8 equal tranches commencing 4 months after the grant date.
 - iii) 500,000 stock options to a director, 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) On September 1, 2020, the Company entered into an agreement with Jusu Body Inc. and Jusu Life Inc. for the lease of their ecommerce websites for monthly fee of \$100/month, and for the purchase of all finished goods inventory for \$25,000, payable in 277,777 units of the Company. Pursuant to the agreement, the Company was entitled to receive all revenues related to sales from website orders, wholesale orders and Amazon orders. On October 9, 2020, the Company entered into an asset purchase agreement with Jusu Body Inc., Jusu Bars Inc. and Jusu CBD Inc. (collectively, "Jusu") for the purchase of Jusu's inventory, equipment and intangible assets, for an additional consideration of \$2,200,000, payable in 22,000,000 units of the Company. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.11 for a period of two years.
- (d) On October 26, 2020, the Company issued 5,785,713 special warrants at a price of \$0.07 per unit for aggregate proceeds of \$405,000, and 1,148,532 special warrants in exchange for consulting services with total fair value of \$80,397. 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 \$0.08 for a period of six months from the date of issuance for an additional common share of the Company.
- (e) The following events were subsequent to August 31, 2020 and relate to the Company's subsidiary, NeonMind:
 - i) On October 14, 2020, the Company cancelled 1,000,000 restricted share units that was previously issued to an employee of the Company.
 - ii) On October 23, 2020, the Company granted 109,383 restricted share units to a consultant in exchange for consulting services with a fair value of \$8,751. The restricted share units vest four months and one day after the grant date.