



(formerly The Yield Growth Corp.)

Consolidated Financial Statements

For the Years Ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Better Plant Sciences Inc. (formerly The Yield Growth Corp.)

Opinion

We have audited the consolidated financial statements of Better Plant Sciences Inc. (formerly The Yield Growth Corp.) (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$9,911,844 and used cash of \$6,370,427 for operating activities during the year ended November 30, 2020 and, as of that date, had a deficit of \$34,283,361. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Henry Chow.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

March 30, 2021

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

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	November 30, 2020	November 30, 2019
ASSETS		
Current assets		
Cash	\$ 181,293	\$ 145,140
Marketable securities (Note 3)	15,915	130,614
Accounts receivable (Notes 4 and 12)	381,511	595,892
Inventory (Note 5)	1,170,489	663,659
Prepaid expenses and deposits	154,175	348,631
Total current assets	<u>1,903,383</u>	<u>1,883,936</u>
Non-current assets		
Investment in associate (Note 6)	424,855	1,240,001
Right-of-use asset (Note 7)	212,764	–
Equipment (Note 8)	193,828	144,363
Intangible assets (Note 9)	1,389,001	161,803
Goodwill (Note 10)	534,558	–
Total non-current assets	<u>2,755,006</u>	<u>1,546,167</u>
Total assets	<u>\$ 4,658,389</u>	<u>\$ 3,430,103</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 832,409	\$ 1,496,979
Deferred revenue (Note 11)	197,003	478,654
Lease liabilities (Note 7)	84,779	–
Total current liabilities	<u>1,114,191</u>	<u>1,975,633</u>
Non-current liabilities		
Loans payable	80,000	–
Deferred revenue (Note 11)	–	175,342
Lease liabilities (Note 7)	184,140	–
Total non-current liabilities	<u>264,140</u>	<u>175,342</u>
Total liabilities	<u>1,378,331</u>	<u>2,150,975</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	27,954,370	19,277,871
Equity reserves	10,075,067	7,966,429
Shares issuable	31,420	50,600
Subscriptions received	50,000	–
Accumulated other comprehensive income (loss)	642	(826)
Deficit	(34,283,361)	(26,121,149)
Total shareholder' equity available to Better Plant Sciences Inc. shareholders	<u>3,828,138</u>	<u>1,172,925</u>
Equity attributable to non-controlling interest (Note 17)	<u>(548,080)</u>	<u>106,203</u>
Total shareholders' equity	<u>3,280,058</u>	<u>1,279,128</u>
Total liabilities and shareholders' equity	<u>\$ 4,658,389</u>	<u>\$ 3,430,103</u>

Nature of operations and continuance of business (Note 1)

Commitments and contingencies (Note 21)

Subsequent events (Note 24)

Approved and authorized for issuance on behalf of the Board of Directors on March 30, 2021:

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

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

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended November 30,	
	2020	2019
REVENUE		
Licensing and product sales (Note 12)	\$ 1,084,088	\$ 3,001,256
Consulting (Note 12)	51,198	1,017,988
Total revenue	<u>1,135,286</u>	<u>4,019,244</u>
COST OF PRODUCTS AND SERVICES		
Cost of licensing and product sales	390,745	438,627
Cost of consulting services	6,918	636,193
Total cost of products and services	<u>397,663</u>	<u>1,074,820</u>
Gross profit	<u>737,623</u>	<u>2,944,424</u>
EXPENSES		
Advertising, marketing, and media	1,858,630	6,586,032
Amortization and depreciation (Notes 7, 8 and 9)	176,692	90,393
Consulting fees (Note 12)	1,491,453	1,416,060
Distribution and licensing fees	1,500	318,303
Information systems	133,331	732,738
Investor relations	107,800	430,531
Listing fees	43,360	190,024
Office and administrative	577,053	990,544
Product development, research, and registration	366,028	627,938
Professional fees	412,818	675,840
Share-based compensation (Notes 12 and 15)	1,426,855	2,728,834
Wages (Note 12)	1,693,632	1,650,270
Total expenses	<u>8,289,152</u>	<u>16,437,507</u>
Net loss before other items	<u>(7,551,529)</u>	<u>(13,493,083)</u>
OTHER ITEMS		
Gain (loss) on sale of marketable securities (Note 3)	(55,569)	492,378
Unrealized loss on marketable securities (Note 3)	(66,452)	(1,480,654)
Unrealized loss on investments (Note 3)	(750,000)	(930,000)
Share of net loss of equity accounted investee (Note 6)	(356,883)	(252,465)
Impairment of intangible assets (Note 9)	(129,403)	-
Impairment of investment in associate (Note 6)	(1,073,263)	-
Loss on foreign exchange	(10,104)	(19,139)
Gain on settlement of accounts receivable	17,784	-
Gain (loss) on settlement of accounts payable	63,575	(338,025)
Total other items	<u>(2,360,315)</u>	<u>(2,527,905)</u>
NET LOSS FOR THE YEAR	<u>(9,911,844)</u>	<u>(16,020,988)</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized foreign exchange gain (loss)	1,468	(826)
Comprehensive loss for the year	<u>\$ (9,910,376)</u>	<u>\$ (16,021,814)</u>
Net loss attributable to:		
Shareholders of the Company	\$ (9,111,233)	\$ (16,019,691)
Non-controlling interest (Note 17)	(800,611)	(1,297)
Net loss for the year	<u>\$ (9,911,844)</u>	<u>\$ (16,020,988)</u>
Comprehensive loss attributable to:		
Shareholders of the Company	\$ (9,109,765)	\$ (16,020,517)
Non-controlling interest (Note 17)	(800,611)	(1,297)
Comprehensive loss for the year	<u>\$ (9,910,376)</u>	<u>\$ (16,021,814)</u>
LOSS PER SHARE ATTRIBUTABLE TO BETTER PLANT SCIENCES INC. SHAREHOLDERS, BASIC AND DILUTED	<u>\$ (0.07)</u>	<u>\$ (0.18)</u>
Weighted average shares outstanding used in the calculation of net loss attributable to Better Plant Sciences Inc. per common share	<u>134,638,000</u>	<u>89,559,000</u>

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

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

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	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
Unrealized gain on investments transferred to deficit upon adoption of IFRS 9	-	-	-	-	-	-	(836,728)	836,728	-	-
Units issued for cash	5,731,500	2,740,750	-	-	-	-	-	-	-	2,740,750
Share issuance costs	-	(285,553)	-	61,478	-	-	-	-	-	(224,075)
Special warrant units issued for cash	-	-	4,109,326	-	-	-	-	-	-	4,109,326
Special warrant issuance costs	-	-	(209,379)	102,711	-	-	-	-	-	(106,668)
Shares issued on conversion of special warrants	15,968,869	4,568,592	(4,512,168)	-	-	-	-	-	-	56,424
Shares issued on exercise of stock options	1,625,000	916,746	-	(489,246)	-	-	-	-	-	427,500
Shares issued on exercise of warrants	6,995,509	4,706,168	-	(337,609)	-	-	-	-	-	4,368,559
Units issued on exercise of warrants	212,560	10,711	-	(3,367)	-	-	-	-	-	7,344
Shares issued for consulting services	48,256	16,407	-	-	50,600	-	-	-	-	67,007
Units issued for consulting services	786,743	291,611	-	80,866	-	-	-	-	-	372,477
Shares issued for product formulations	120,000	32,400	-	-	-	-	-	-	-	32,400
Units issued for product formulations	230,000	170,700	-	102,603	-	-	-	-	-	273,303
Units issued to settle accounts payable	1,106,048	659,371	-	299,186	-	-	-	-	-	958,557
Special warrants issued to settle accounts payable	-	-	52,500	-	-	-	-	-	-	52,500
Fair value of stock options granted	-	-	-	2,728,834	-	-	-	-	-	2,728,834
Unrealized foreign exchange loss	-	-	-	-	-	-	(826)	-	-	(826)
Net loss for the year	-	-	-	-	-	-	-	(16,019,691)	(1,297)	(16,020,988)
Equity attributable to non-controlling interest	-	-	-	-	-	-	-	-	107,500	107,500
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	-	-	-	-	-	-	-	(43,662)	-	(43,662)
Units issued for cash	8,156,250	913,437	-	61,563	-	-	-	-	-	975,000
Special warrant units issued for cash	-	-	4,441,855	-	-	-	-	-	-	4,441,855
Special warrant issuance costs	-	-	(2,030)	730	-	-	-	-	-	(1,300)
Shares issued on conversion of special warrants	42,649,867	4,809,899	(4,990,188)	180,289	-	-	-	-	-	-
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
Units issued for consulting services	200,000	30,000	-	2,000	(50,600)	-	-	-	-	(18,600)
Special warrants issued to settle accounts payable	-	-	550,363	-	-	-	-	-	-	550,363
Units issued for business combination	19,277,777	1,379,510	-	840,366	-	-	-	-	-	2,219,876
Contingent consideration for business combination	-	-	-	-	31,420	-	-	-	-	31,420
Subscriptions received	-	-	-	-	-	50,000	-	-	-	50,000
Fair value of stock options granted	-	-	-	737,117	-	-	-	-	-	737,117
Unrealized foreign exchange loss	-	-	-	-	-	-	1,468	-	-	1,468
Net loss for the year	-	-	-	-	-	-	-	(9,111,233)	(800,611)	(9,911,844)
Change in equity of subsidiary (Note 16)	-	1,805,122	-	587,795	-	-	-	-	-	2,392,917
Equity attributable to non-controlling interest	-	(845,983)	-	(293,028)	-	-	-	992,683	146,328	-
BALANCE, NOVEMBER 30, 2020	178,473,245	\$ 27,954,370	\$ -	\$10,075,067	\$ 31,420	\$ 50,000	\$ 642	\$ (34,283,361)	\$ (548,080)	\$ 3,280,058

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

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

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the year ended November 30,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	\$ (9,911,844)	\$ (16,020,988)
Items not involving cash:		
Amortization of intangible assets	19,411	26,154
Bonus expense paid in options exercise	100,000	–
Cancellation of shares issuable for consulting services	(50,600)	–
Consulting services paid in shares	–	67,007
Consulting services paid in units	138,251	372,477
Depreciation	157,282	64,239
Gain on settlement of accounts receivable	(17,784)	–
Impairment of intangible assets	129,403	–
Impairment of investment in associate	1,073,263	–
Interest expense on lease liability	52,914	–
Loss (gain) on sale of marketable securities	55,569	(492,378)
Loss (gain) on settlement of accounts payable	(63,575)	338,025
Share of net loss of equity accounted investee	356,883	252,465
Share-based compensation	1,426,855	2,728,834
Shares and warrants received for licensing and distribution rights	(415,000)	(2,392,466)
Units issued for product development	–	273,303
Unrealized loss (gain) on marketable securities	66,452	1,480,654
Unrealized loss on investments	750,000	930,000
Changes in non-cash operating working capital:		
Accounts receivable	306,809	(635,363)
Inventory	(231,547)	(612,876)
Prepaid expenses and other deposits	194,456	105,515
Accounts payable and accrued liabilities	(50,632)	1,805,292
Due to related parties	–	(58,975)
Deferred revenue	(456,993)	(205,451)
Net cash used in operating activities	(6,370,427)	(11,974,532)
INVESTING ACTIVITIES		
Purchase of equipment	(122,489)	(159,359)
Purchase of investment in associate	(200,000)	–
Proceeds from sale of marketable securities	25,239	912,543
Website development costs	(65,012)	(155,557)
Net cash used in investing activities	(362,262)	597,627
FINANCING ACTIVITIES		
Lease payments	(101,429)	–
Proceeds from government loans	80,000	–
Proceeds from issuance of units	1,778,865	2,740,750
Share issuance costs	(65,937)	(224,075)
Subscriptions received	50,000	–
Proceeds from issuance of special warrants	4,441,855	4,109,326
Special warrant issuance costs	(1,300)	(106,668)
Proceeds from exercise of stock options	21,000	427,500
Proceeds from exercise of warrants	564,320	4,368,559
Proceeds from exercise of special warrants	–	63,768
Proceeds from issuance of units from subsidiary to non-controlling interest	–	107,500
Net cash provided by financing activities	6,767,374	11,486,660
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	1,468	(826)
CHANGE IN CASH	36,153	108,929
Cash, beginning of year	145,140	36,211
CASH, END OF YEAR	\$ 181,293	\$ 145,140

Supplemental disclosures (Note 19)

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

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

Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2020 and 2019
(Expressed in Canadian Dollars)

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 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 \$9,911,844 and used \$6,370,427 of cash for operating activities during the year ended November 30, 2020. As at November 30, 2020, the Company had working capital of \$789,192 and had an accumulated deficit of \$34,283,361. 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 consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and the 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 coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to broad adverse impacts on the Canadian and global economies. 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 projects and product launches. The Company’s associates and investment companies may have experienced the adverse impact of COVID-19 as well. Below is an analysis the impact of COVID-19 on the Company’s business:

Revenue generation

While the Company achieved significant revenue growth during the year ended November 30, 2020, certain revenue generating areas were negatively impacted by COVID-19 restrictions. Specifically, a brick-and-mortar retail location at Victoria, British Columbia, as a juice bar, experienced, and is still experiencing, reduced traffic and sales. The Company acquired this location as part of a business combination (Note 10) effective October 9, 2020, therefore, the impact for the year ended November 30, 2020 was not material. Depending on the further development of the COVID-19 pandemic, its future impact on sales at this location is uncertain, although management is cautiously optimistic that such impact is manageable and will not be significant as part of the Company’s total revenues.

Productivity

The Company has adopted a remote work policy and its team has been working remotely since March 2020. The Company has been able to keep its office open and functional with minimal staff presence. Management assessed that working remotely has not materially impacted the team’s overall productivity or the Company’s general financial position.

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

Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2020 and 2019
(Expressed in Canadian Dollars)

1. Nature of Operations and Continuance of Business (continued)

Impairment

Due to the outbreak of COVID-19, many companies are experiencing delays in projects and in their business in general. During the year ended November 30, 2020, the Company impaired its investment in Translational Life Science Inc. due to slower than expected advancement in its business plans. The Company also incurred larger than expected losses from its investment in an associate, due to a restructuring process in its business. However, without availability of quantifiable information, management cannot conclude if, and how much of, such losses were caused by COVID-19 pandemic.

Suppliers' and vendors' contracts

The Company experienced slightly increased lead time of production and services with certain suppliers and vendors. However, such delays were not considered to have caused any material impact on the Company's business and financial position. The Company did not have to cancel any contracts with suppliers and vendors and did not incur any cancellation penalties during the year.

Funding

The general sentiment in the capital market caused difficulties in some fund-raising activities, but the Company was able to overcome the difficulties and obtain funding through its shelf prospectus to support operations. The Company maintains zero commercial debt aside from a Canada Emergency Business Account loan of \$80,000 (of which only \$60,000 is repayable), which is supported by the Federal Government and was legislated to help businesses operate during the COVID-19 pandemic.

With the COVID-19 pandemic still developing and the resurgence of new cases recently, 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. Over the past year, the management team has been closely following the progression of COVID-19 and its potential impact on the Company and has been working on alternative measures and resources to minimize the impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results going forward.

2. Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee.

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

Notes to the Consolidated Financial Statements
For the Years Ended November 30, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(b) Basis of Presentation and Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, Urban Juve Provisions Inc. ("Urban Juve"), Jusu Wellness Inc. (formerly Thrive Activations Inc.) ("Jusu Wellness"), Wright & Well Essentials Inc. (formerly UJ Topicals Inc.) ("Wright & Well"), Jusu Bars Corp. (formerly UJ Beverages Inc.) ("Jusu Bars"), Yield Botanicals Inc. ("Yield Botanicals") and NeonMind Biosciences Inc. (formerly Flourish Mushroom Labs Inc.) ("NeonMind"), 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 50% in NeonMind is shown as a component of equity on the 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 year in the consolidated statement of operations and comprehensive loss.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these 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 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.

Significant areas requiring the use of estimates include:

- collectibility of accounts receivable
- impairment of inventory
- useful lives and carrying values of equipment and intangible assets
- carrying value of goodwill
- impairment of investments and marketable securities
- deferred revenue
- fair value of share-based compensation
- measurement of unrecognized deferred income tax assets

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

Notes to the Consolidated Financial Statements
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2. Significant Accounting Policies (continued)

(c) Significant Accounting Estimates and Judgments (continued)

Significant judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements include the following:

Going concern

The factors that are used in determining the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the year end of the reporting period.

Licensing revenues

In recognizing licensing revenue from contracts with multiple obligations, 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.

Website development costs

Website development costs related to the development of e-commerce websites for Urban Juve and Jusu Wellness. Management's judgment is used in determining that the Company will realize significant economic benefit from the websites to justify the capitalization of all costs relating to their development. All operational website costs incurred after their launch will be expensed as incurred. Website costs are being amortized on a straight-line basis over an estimated useful life of 3 years.

Incremental borrowing rate

Judgment was used to determine the incremental borrowing rate for lease liabilities under IFRS 16. 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.

Fair value of investments in private companies

The fair value of shares and warrants held in 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.

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

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

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2. Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Marketable Securities and Investments

Marketable securities consist of a portfolio of investments and is comprised of common shares and warrants of publicly-traded companies and private companies. The fair value of common shares and warrants for publicly-traded companies have been determined by reference to public price quotations in an active market. The fair value of common shares and warrants of private companies is determined by other 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.

(f) Equipment

Equipment consists of computer equipment, furniture, telephone equipment, lab equipment, and leasehold improvements, and is recorded at cost. The Company depreciates the cost of equipment over the following useful lives:

Computer equipment – 2 years
Furniture – 3 years
Lab equipment – 5 years
Leasehold improvements – over the term of the lease
Telephone equipment – 5 years

(g) Intangible assets

Intangible assets consist of product formulations, customer relationships, brand name, and website development costs. Intangible assets are carried at cost less accumulated amortization and impairment and are capitalized when the costs can be measured reliably and it is probable that future economic benefits that are attributable to the asset will flow to the Company. The Company amortizes product formulations over a useful life of 8 years, customer relationships over a useful life of 7 years, and website development costs over a useful life of 3 years. Brand name is deemed to have an indefinite useful life and will be evaluated by the Company on an annual basis or more often if events or circumstances indicate an assessment of whether it has a determinable useful life or whether its value has become impaired.

(h) Impairment of long-lived assets

The Company reviews the carrying value of long-lived assets for impairment when circumstances indicate that an asset's value may not be recoverable. The evaluation is based on the higher of the asset's fair value less costs to sell and its value in use, which is the present value of future cash flows expected to be derived from the asset in its current state. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds its recoverable amount. Impairment loss is recorded in the consolidated statement of operations.

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2. Significant Accounting Policies (continued)

(i) Business Combinations and Goodwill

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is measured at fair value, along with identifiable assets acquired, and liabilities and contingent liabilities assumed. Goodwill is initially measured at cost being the excess of the purchase consideration of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any gain on a bargain purchase is recognized directly in the consolidated statement of operations. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in the consolidated statement of operations.

Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of the cash-generating unit ("CGU"), including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recognized in the consolidated statement of operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Acquisition related costs are recognized in the consolidated statements of operations as incurred.

(j) Foreign Currency Translation

The Company's reporting currency is the Canadian dollar. The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its Canadian subsidiaries is the Canadian dollar, while the functional currency of its US subsidiary and Hong Kong subsidiary are the U.S. dollar and the Hong Kong dollar, respectively.

Transactions denominated in currencies other than the functional currency are translated using the exchange rate in effect on the transaction date or at the annual average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

Subsidiaries that have functional currencies other than the Canadian dollar translate their statement of operations items at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss).

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2. Significant Accounting Policies (continued)

(k) Revenue

With the adoption of IFRS 15, Revenue from Contracts with Customers, effective December 1, 2018, a single 5-step model for revenue recognition was introduced. The new model for revenue recognition is based on identifying the contract with the customer, identifying the performance obligations, determining the individual transaction price, and allocating the transaction price to the individual performance obligations making up the contract. Revenue is then recognized when or as the associated performance obligations are delivered and based on the expected consideration to be received. The Company recognizes revenue in the following areas:

Licensing and product sales, which are primarily derived from sales of products on the Company's ecommerce website and through retail locations in Canada, as well as from licensing and distribution fees to companies for the right to manufacture and distribute the Company's proprietary products. The fees are outlined in an agreement and are recognized when the Company's obligations have been performed. For licenses with multiple performance obligations, the Company will identify specific distinct goods and services and will recognize income when the performance obligations for each distinct good or service has been performed.

Consulting revenue, which is derived from consulting services provided to third and related parties relating to finance, accounting and strategic management. The fees are outlined in an agreement and are recognized when the services have been performed.

The timing of revenue recognition, in accordance with IFRS 15, would be as follows:

	November 30, 2020	November 30, 2019
Goods and services transferred at a point in time	\$ 734,957	\$ 3,661,993
Goods and services transferred over time	400,329	357,251
	<u>\$ 1,135,286</u>	<u>\$ 4,019,244</u>

(l) Government Assistance

In response to the unprecedented impact of the COVID-19 pandemic on Canadian businesses, in March 2020, the Canadian government introduced several support programs for Canadian businesses. During the year ended November 30, 2020, the Company received government assistance in the form of the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS), which subsidized a portion of the Company's wage and rent expenses. The Company has recorded the subsidies using the net method in the consolidated statement of operations and comprehensive loss as a reduction of the related wage and rent expenses.

(m) Income (Loss) Per Share

Basic income (loss) per common share is computed by dividing their respective net income (loss) by the weighted average number of common shares outstanding during the year. The computation of diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of convertible securities is reflected in the diluted income per share by application of the "if converted" method. The dilutive effect of outstanding incentive stock options and their equivalents is reflected in the diluted income per share by application of the treasury stock method. As at November 30, 2020, there were 104,202,098 (2019 – 53,393,735) potentially dilutive shares outstanding.

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2. Significant Accounting Policies (continued)

(n) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. Items impacting comprehensive income (loss) includes foreign currency translation.

(o) Income Taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(p) Financial Instruments

Non-derivative financial assets:

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash and accounts receivable are measured at amortized cost with subsequent impairments recognized in the consolidated statement of operations. Marketable securities and non-current investments are classified as FVTPL.

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2. Significant Accounting Policies (continued)

(p) Financial Instruments (continued)

Impairment:

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the period. The Company recorded bad debts expense based on the expected credit loss model.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-derivative financial liabilities:

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, lease liabilities and amounts due to related parties are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in the consolidated statement of operations.

The Company has no hedging arrangements and does not apply hedge accounting.

(q) Investment in Associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Company's share of the net income or loss of the associate, less any impairment in the value of the investment or dilution of the shareholding in the investment.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of operations.

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

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2. Significant Accounting Policies (continued)

(r) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(s) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(t) Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the statement of financial position or the reported results of operations.

(u) 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 \$43,662 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.

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2. Significant Accounting Policies (continued)

- (u) Application of New and Revised Accounting Standards (continued)

Amendment to IFRS 16: COVID-19 Related Rent Concessions

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions received as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective June 1, 2020, but to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements not yet authorized for issue. The Company applied this amendment during the year ended November 30, 2020, however it did not have a material impact to the Company's consolidated financial statements.

- (v) 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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also defines a 'settlement' as the transfer to the counterparty of cash, equity instruments, other assets or services. In July 2020, due to the COVID-19 pandemic, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from these amendments. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact on the Company.

Management has assessed that there are no other future accounting pronouncements that are expected to have a material impact on the Company's financial statements in the current or future reporting periods.

3. Marketable Securities and Investments

Marketable Securities

Fasttask Technologies Inc. (formerly HeyBryan Media Inc.) ("Fasttask")

On December 7, 2020, Fasttask effected a 5-for-1 consolidation of its issued and outstanding common shares. All common share amounts have been retroactively restated for the share consolidation.

During the year ended November 30, 2019, the Company received 200,000 units of Fasttask at \$1.25 per unit, as a bonus for services rendered. Each unit consisted of one common share and one share purchase warrant exercisable at \$4.50 per share for a period of two years.

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

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3. Marketable Securities and Investments (continued)

During the year ended November 30, 2020, the Company received 34,769 units of Fasttask 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 \$0.60 per share for a period of two years.

During the year ended November 30, 2020, the Company sold 50,000 (2019 – nil) Fasttask shares for proceeds of \$6,041 (2019 – \$nil). As at November 30, 2020, the Company holds 184,769 shares (2019 – 1,000,000).

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 year ended November 30, 2020, the Company sold 130,500 (2019 – 1,369,500) Loop shares for proceeds of \$19,198 (2019 – \$568,945). As at November 30, 2020, the Company holds no Loop shares (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. As of November 30, 2020, the Company recognized an unrealized loss of \$750,000 on its investment in TLS, bringing its carrying value down to \$nil, as TLS is still in the early stages of development in its business and there is material uncertainty on the marketability and liquidity of the shares. The Company currently holds all shares of TLS and has no intention to sell its investment in TLS in the next 12 months.

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

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3. Marketable Securities and Investments (continued)

Below is a summary of the Company's marketable securities and investments as of November 30, 2019 and 2020:

	Nov. 30, 2018 fair value	Additions	Proceeds from sale	Realized gain (loss) on sale	Unrealized gain (loss)	Nov. 30, 2019 fair value
Current Assets:						
Vert-Shares	\$ 360,100	\$ -	\$ (343,598)	\$ (16,502)	\$ -	\$ -
Vert-Warrants	296,333	-	-	-	(296,256)	77
Loop	1,125,000	-	(568,945)	508,880	(1,041,444)	23,491
HeyBryan-Shares	-	250,000	-	-	(155,000)	95,000
HeyBryan-Warrants	-	-	-	-	12,046	12,046
	<u>\$ 1,781,433</u>	<u>\$ 250,000</u>	<u>\$ (912,543)</u>	<u>\$ 492,378</u>	<u>\$ (1,480,654)</u>	<u>\$ 130,614</u>
	Nov. 30, 2019 fair value	Additions	Proceeds from sale	Realized gain (loss) on sale	Unrealized gain (loss)	Nov. 30, 2020 fair value
Current Assets:						
Vert-Warrants	\$ 77	\$ -	\$ -	\$ -	\$ (77)	\$ -
Loop	23,491	-	(19,198)	(4,293)	-	-
HeyBryan-Shares	95,000	19,123	(6,041)	(51,276)	(42,025)	14,781
HeyBryan-Warrants	12,046	13,438	-	-	(24,350)	1,134
	<u>\$ 130,614</u>	<u>\$ 32,561</u>	<u>\$ (25,239)</u>	<u>\$ (55,569)</u>	<u>\$ (66,452)</u>	<u>\$ 15,915</u>
Non-current assets:						
TLS	-	750,000	-	-	(750,000)	-
Total	<u>\$ 130,614</u>	<u>\$ 782,561</u>	<u>\$ (25,239)</u>	<u>\$ (55,569)</u>	<u>\$ (816,452)</u>	<u>\$ 15,915</u>

4. Accounts Receivable

	November 30, 2020	November 30, 2019
Trade accounts receivable	\$ 256,057	\$ 323,372
Other receivables	256,698	392,364
Allowance for doubtful accounts	(131,244)	(119,844)
Total accounts receivable	<u>\$ 381,511</u>	<u>\$ 595,892</u>

Other receivables included GST receivables and accrued receivables.

5. Inventory

	November 30, 2020	November 30, 2019
Finished goods	\$ 382,155	\$ 202,520
Packaging and raw materials	788,334	418,253
Product samples and marketing materials	-	42,886
	<u>\$ 1,170,489</u>	<u>\$ 663,659</u>

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6. Investment in Associate

Komo Plant Based Comfort Foods Inc. (formerly Kingdom Brands Inc.) (“Komo Foods”) is a plant-based food company engaged in the development, production, marketing, and distribution of a variety of plant-based frozen meals. On December 1, 2020, Komo Foods entered into a 1-for-4 reverse stock split of its issued and outstanding common shares. All common share amounts have been retroactively restated for the reverse stock split.

On May 28, 2019, the Company entered into a license agreement with Komo Foods’ subsidiary, Kingdom Brands Management Inc. (formerly Antler Retail Holdings Inc.) (“Kingdom Management”), whereby the Company granted a perpetual non-exclusive license for 56 product formulas for THC and CBD infusion to Kingdom Management for sale in the United States. Pursuant to the license agreement, the Company received 2,500,000 common shares of Komo Foods, with a fair value of \$829,148, representing 8% ownership interest in Komo Foods.

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 the United States. Pursuant to the license agreement, the Company received 2,000,000 common shares of Komo Foods, with a fair value of \$663,318. The Company’s ownership interest in Kingdom was increased to approximately 15%.

On February 21, 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 1,250,000 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 416,667 units of Komo Foods for \$200,000 in a private placement, where each unit consists of one common share and one warrant exercisable at \$0.56 for a period of 24 months. The Company’s ownership interest in Komo Foods was increased to approximately 20%.

The Company has determined that it has significant influence in Komo Foods as it holds 20% of the voting rights in Komo Foods, and the Company and Komo Foods share a common CFO, and the President and CEO of the Company is the spouse of the CEO of Komo Foods as of November 30, 2020. 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.

As the Company does not have the same reporting date as its associate, the Company was provided with audited financial information of Komo Foods for July 31, 2020, and unaudited financial statements for the three and six months ended November 30, 2020, to calculate the portion of net loss attributable to the Company. During the year ended November 30, 2020, the Company recorded its proportionate loss from Komo Foods of \$356,883 (2019 - \$252,465).

As at November 30, 2020, the Company assessed an impairment on the value of its investment in Komo Foods due to a private placement that Komo Foods closed shortly after year end. As at November 30, 2020, the Company recorded an impairment loss of \$1,073,263 (2019 - \$nil) on its investment in Komo Foods. The carrying value of the Company’s investment in Komo Foods as at November 30, 2020 was \$424,855 (2019 - \$1,240,001).

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6. Investment in Associate (continued)

The following table outlines the carrying amount of the investment in Komo Foods as at November 30, 2020 and 2019:

	Investment in associate
Carrying value of investment, November 30, 2018	\$ –
Additions	1,492,466
Proportionate net loss	(252,465)
Carrying value of investment, November 30, 2019	\$ 1,240,001
Additions	615,000
Proportionate net loss	(356,883)
Impairment	(1,073,263)
Carrying value of investment, November 30, 2020	\$ 424,855

The following tables summarize the unaudited financial information of Komo Foods as of November 30, 2020 and for the year then ended:

	November 30, 2020	November 30, 2019
Cash	\$ 21,157	\$ 175,820
Current and total assets	143,234	1,389,516
Current and total liabilities	805,908	857,441

	For the year ended November 30, 2020	For the period from May 28, 2019 to November 30, 2019
Net loss and comprehensive loss for the year	\$ (1,994,750)	\$ (2,115,790)

7. Right-of-use Assets and Lease Liabilities

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.

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

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7. Right-of-use Assets and Lease Liabilities (continued)

	Office lease	Warehouse lease	Total
Right of Use Asset:			
Value of right of use asset, December 1, 2019	\$ 182,362	\$ –	\$ 182,362
Additions	–	100,130	100,130
Amortization	(54,709)	(15,019)	(69,728)
Right of use asset, November 30, 2020	\$ 127,653	\$ 85,111	\$ 212,764
Lease liabilities:			
Lease liabilities recognized, December 1, 2019	\$ 229,117	\$ –	\$ 229,117
Additions	–	100,130	100,130
Lease payments	(83,474)	(21,915)	(105,389)
Lease interest	33,590	11,471	45,061
Lease liabilities, November 30, 2020	\$ 179,233	\$ 89,686	\$ 268,919
Current portion	68,769	16,010	84,779
Non-current portion	110,464	73,676	184,140
	\$ 179,233	\$ 89,686	\$ 268,919

At November 30, 2020, the Company's future lease payment obligations are as follows:

	Office lease	Warehouse lease	Total
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
	\$ 215,945	\$ 124,185	\$ 340,130

8. Equipment

	Computers	Furniture and display	Phone equipment	Equipment	Leasehold improvements	Total
Cost:						
Balance, November 30, 2018	\$ 65,497	\$ 2,592	\$ 2,378	\$ –	\$ –	\$ 70,467
Additions	32,055	109,747	–	13,807	3,750	159,359
Balance, November 30, 2019	97,552	112,339	2,378	13,807	3,750	229,826
Additions	1,375	48,270	–	23,250	72,844	145,739
Balance, November 30, 2020	98,927	160,609	2,378	37,057	76,594	375,565
Accumulated depreciation:						
Balance, November 30, 2018	20,297	648	279	–	–	21,224
Additions	40,815	20,787	475	1,927	235	64,239
Balance, November 30, 2019	61,112	21,435	754	1,927	235	85,463
Additions	26,263	48,173	477	3,866	17,495	96,274
Balance, November 30, 2020	87,375	69,608	1,231	5,793	17,730	181,737
Carrying amounts:						
As at November 30, 2019	\$ 36,440	\$ 90,904	\$ 1,624	\$ 11,880	\$ 3,515	\$ 144,363
As at November 30, 2020	\$ 11,552	\$ 91,001	\$ 1,147	\$ 31,264	\$ 58,864	\$ 193,828

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9. Intangible Assets

	Product Formulations	Customer Relationships	Brand Name	Website Development Costs	Total
Cost:					
Balance, November 30, 2018	\$ –	\$ –	\$ –	\$ –	\$ –
Additions	32,400	–	–	155,557	187,957
Balance, November 30, 2019	32,400	–	–	155,557	187,957
Additions	720,000	81,000	510,000	65,012	1,376,012
Impairment	–	–	–	(155,557)	(155,557)
Balance, November 30, 2020	752,400	81,000	510,000	65,012	1,408,412
Accumulated depreciation:					
Balance, November 30, 2018	–	–	–	–	–
Additions	–	–	–	26,154	26,154
Balance, November 30, 2019	–	–	–	26,154	26,154
Additions	16,872	1,649	–	890	19,411
Impairment	–	–	–	(26,154)	(26,154)
Balance, November 30, 2020	16,872	1,649	–	890	19,411
Carrying amounts:					
As at November 30, 2019	\$ 32,400	\$ –	\$ –	\$ 129,403	\$ 161,803
As at November 30, 2020	\$ 735,528	\$ 79,351	\$ 510,000	\$ 64,122	\$ 1,389,001

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.

During the year ended November 30, 2020, additions to product formulations, customer relationships and brand name were related to the Company's business combination (Note 10).

Product formulations are amortized over an estimated useful life of 8 years. The Company will periodically evaluate these assets to assess whether their value has become impaired over time.

Customer relationships are amortized over an estimated useful life of 7 years. The Company will periodically evaluate these assets to assess whether their value has become impaired over time.

Brand name is determined to have an indefinite useful life. The Company will periodically evaluate these assets to assess whether any evidence arises to support a determinable useful life, 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. During the year ended November 30, 2020, the Company assessed impairment on two e-commerce websites and recognized impairment loss on website development costs of \$129,403 (2019 - \$nil).

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10. Business Combination and Goodwill

On September 1, 2020, the Company entered into an agreement with Jusu Body Inc. and Jusu Life Inc. to lease its e-commerce website for monthly fees of \$100, and to purchase all of their finished goods inventory for distribution through its e-commerce website and wholesale channels. Pursuant to the agreement, the Company issued 277,777 share units with a fair value of \$23,810. Each share unit is comprised of one common share and one share purchase warrant exercisable at \$0.11 for a period of two years.

On October 9, 2020, the Company entered into an acquisition agreement with Jusu Body Inc., Jusu Bars Inc. and Jusu CBD Inc. (collectively, "Jusu") for the purchase of Jusu's remaining inventory, equipment for its retail location in Victoria, BC, and other intangible assets including primarily the brand names, product formulas and customer lists. Pursuant to the agreement, the Company issued 19,000,000 share units with a fair value of \$2,196,066. Each share unit is comprised of one common share and one share purchase warrant exercisable at \$0.10 per share for a period of two years. There was an additional \$300,000 payable in 3,000,000 share units that was subject to holdback conditions for the purpose of ensuring that Jusu was discharged from certain security registrations. As of November 30, 2020, the holdback amount had not been released to Jusu.

In addition, there is a contingent consideration payable if within three years, the quarterly or annual financial statements for any period indicate that the Company has generated \$5 million in gross revenues through the sale of Jusu products. Contingent consideration will be an additional 2,500,000 units of the Company. Each unit will be comprised of one common share and one share purchase warrant exercisable at a price equal to the closing price of the shares on the date of issuance.

The Company has determined this transaction is a business combination as the assets and processes acquired from Jusu constitute a business. The transaction was accounted for using the acquisition method of accounting, whereby the assets acquired were recorded at their estimated fair value at the acquisition date.

The allocation of the purchase price to the total fair value of net assets acquired is as follows:

	<u>Fair value</u>
Consideration paid:	
Common shares issued	\$ 1,379,510
Warrant issued	840,366
Contingent consideration	<u>31,420</u>
Gross consideration	2,251,296
Amount allocated to GST	<u>(107,205)</u>
Net consideration	<u>\$ 2,144,091</u>
Net identifiable assets acquired:	
Inventory	\$ 275,283
Equipment	23,250
Intangible assets – customer relationships	81,000
Intangible assets – brand name	510,000
Intangible assets – product formulations	<u>720,000</u>
	<u>\$ 1,609,533</u>
Purchase price allocation:	
Net identifiable assets acquired	1,609,533
Goodwill	<u>534,558</u>
	<u>\$ 2,144,091</u>

Goodwill arising from the acquisition represents expected synergies, future income, and growth potential of Jusu.

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11. 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, November 30, 2020
Current liabilities:					
Vert Infrastructure Ltd.	\$ 334,247	\$ –	\$ (334,247)	\$ 175,342	\$ 175,342
Melorganics	66,082	–	(66,082)	–	–
Client deposits & retainers	78,325	5,052	(61,716)	–	21,661
	<u>\$ 478,654</u>	<u>\$ 5,052</u>	<u>\$ (462,045)</u>	<u>\$ 175,342</u>	<u>\$ 197,003</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>(415,000)</u>	<u>(175,342)</u>	<u>–</u>
Total deferred revenue	<u>\$ 653,996</u>	<u>\$ 420,052</u>	<u>\$ (877,045)</u>	<u>\$ –</u>	<u>\$ 197,003</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 1,250,000 common shares of Komo Foods, with a fair value of \$415,000, which was recognized as revenue during the year ended November 30, 2020.

On June 11, 2018, the Company entered into a license and distribution agreement with Vert Infrastructure Ltd. ("Vert"), whereby the Company granted an exclusive right to sell certain proprietary wellness products in Italy, and a license to use certain related trademarks and other intellectual property owned by the Company, for a term of 3 years. In consideration for the license and distribution rights, Vert paid an initial fee of \$1,000,000 through the issuance of 2,500,000 units, with each unit consisting of one common share of Vert and one-half of one share purchase warrant. Each share purchase warrant is exercisable into one common share of Vert at an exercise price of \$0.55 per share for a period of eighteen months. The initial fee of \$1,000,000 is being recognized as revenue over the 3-year term of the agreement, and as of November 30, 2020, \$175,342 (2019 – \$509,589) of the initial fee was included in deferred revenue in current liabilities, as the service period of the contract is ending in fiscal 2021.

12. Related Party Transactions

During the years ended November 30, 2020, and 2019, compensation of key management personnel and directors were as follows:

	November 30, 2020	November 30, 2019
Consulting fees	\$ 187,899	\$ 350,675
Wages	758,148	718,966
Share-based compensation	931,208	1,306,909
	<u>\$ 1,877,255</u>	<u>\$ 2,376,550</u>

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12. Related Party Transactions (continued)

During the year ended November 30, 2020, the Company recognized consulting revenue of \$24,076 (2019 - \$3,564), product sales revenue of \$40,233 (2019 - \$nil) from an associated company, Komo Foods. As at November 30, 2020, the Company was owed \$55,722 (2019 - \$nil) from Komo Foods, which was included in accounts receivable, and is unsecured, non-interest bearing, and due on demand.

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 1,250,000 common shares of Komo Foods, with a fair value of \$415,000, which was recognized licensing and product sales revenue during the year ended November 30, 2020.

13. Share Capital

Authorized: unlimited number of common shares without par value.

During the year ended November 30, 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 consisted 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 consisted 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 consisted of one common share and one share purchase warrant exercisable at \$0.16 per share for a period of one year.
- (d) During the year ended November 30, 2020, 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) During the year ended November 30, 2020, the Company issued 2,803,332 common shares for proceeds of \$564,320 pursuant to the exercise of share purchase warrants.
- (f) During the year ended November 30, 2020, the Company issued 42,649,867 common shares pursuant to the conversion of 42,649,867 special warrants. The fair value of the warrants of \$4,990,188 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 consisted of one common share and one share purchase warrant exercisable at \$0.11 per share for a period of two years.
- (h) On September 8, 2020, the Company issued 277,777 units with a fair value of \$23,810 pursuant to an agreement with Jusu Body Inc. and Jusu Life Inc. for the purchase of all finished goods inventory and revenues related to sales from e-commerce and wholesale orders. Each unit was comprised of one common share and one share purchase warrant exercisable at \$0.11 per share for a period of two years.

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13. Share Capital (continued)

- (i) On October 9, 2020, the Company issued 19,000,000 units with a fair value of \$2,196,066 pursuant to 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. Each unit was comprised of one common share and one share purchase warrant exercisable at \$0.10 per share for a period of two years.

During the year ended November 30, 2019, the Company completed the following transactions:

- (j) On December 14, 2018, the Company completed its initial public offering of 4,481,500 units at \$0.50 per unit for gross proceeds of \$2,240,750. Each unit consisted of one common share and one warrant exercisable at \$1.10 per unit until December 14, 2020. Each exercised warrant will consist of one common share and an additional warrant exercisable at \$2.00 per share and expires on December 14, 2020. In connection with the IPO, the Company incurred share issuance costs of \$285,553 and issued 448,150 agents' warrants with a fair value of \$61,478, which are exercisable at \$0.50 per share until December 13, 2020. The estimated fair value associated with the agents' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.23; an annualized volatility of 150%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 2.01%.
- (k) On January 25, 2019, and January 31, 2019, the Company closed a non-brokered private placement of 1,250,000 units in 2 tranches at \$0.40 per unit for proceeds of \$500,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of six months.
- (l) On October 3, 2019, the Company issued 120,000 shares with fair value of \$32,400 for the acquisition of formulations using wild edible mushrooms as key ingredients, and all know-how and trade secrets and research and data related to the formulations.
- (m) During the year ended November 30, 2019, the Company issued 1,625,000 common shares for proceeds of \$427,500 pursuant to the exercise of stock options. The fair value of the stock options of \$489,246 was transferred from equity reserves to share capital upon exercise.
- (n) During the year ended November 30, 2019, the Company issued 6,995,509 common shares for proceeds of \$4,368,559 pursuant to the exercise of share purchase warrants and agents' warrants. The fair value of the warrants of \$337,609 was transferred from equity reserves to share capital upon exercise.
- (o) During the year ended November 30, 2019, the Company issued 212,560 units for proceeds of \$7,344 pursuant to the exercise of finder's warrants. Each unit consisted of one common share and one warrant exercisable at \$0.35 per share for a period of two years from the date of issuance of the original finder's warrants. The fair value of the warrants of \$3,367 was transferred from equity reserves to share capital upon exercise.
- (p) During the year ended November 30, 2019, the Company issued 15,968,869 common shares pursuant to the conversion of 15,968,869 special warrants. The fair value of the warrants of \$4,512,168 was transferred from special warrants reserve to share capital upon conversion.
- (q) During the year ended November 30, 2019, the Company issued the following in exchange for services:
 - i) The Company issued 48,256 shares to a service provider in exchange for services with fair value of \$16,407.

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13. Share Capital (continued)

- ii) The Company issued 28,720 units to service providers in exchange for services with fair value of \$20,104. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.80 per share for a period of six months.
- iii) The Company issued 200,000 units to a service provider in exchange for services with fair value of \$114,289. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.34 per share for a period of five years. Pursuant to the same service agreement, the Company shall pay a bonus of 30,000 shares with a fair value of \$50,600 that have not been issued.
- iv) The Company issued 310,293 units to service providers in exchange for services with fair value of \$105,500. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.40 per share for a period of six months.
- v) The Company issued 26,250 units to a service provider in exchange for services with fair value of \$10,500. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.50 per share for a period of six months.
- vi) The Company issued 5,375 units to a service provider in exchange for services with fair value of \$3,333. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.62 per share for a period of one year.
- vii) The Company issued 117,532 units to service providers in exchange for services with fair value of \$42,838. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.40 per share for a period of one year.
- viii) The Company issued 32,258 units with a fair value of \$31,024 to employees in exchange for services. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.62 per share for a period of one year.
- ix) The Company issued 40,000 units with a fair value of \$29,725 to employees in exchange for services. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.57 per share for a period of one year.
- x) The Company issued 26,315 units with a fair value of \$15,164 to employees in exchange for services. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.40 per share for a period of one year.
- xi) The Company issued 200,000 units to service providers in exchange for services with fair value of \$251,008. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.60 per share for a period of one year.
- xii) The Company issued 30,000 units to service providers in exchange for services with fair value of \$22,295. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.57 per share for a period of one year.

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13. Share Capital (continued)

- (r) During the year ended November 30, 2019, the Company issued the following to settle accounts payable:
- i) The Company issued 131,250 units with a fair value of \$85,546 to settle debt of \$52,500, resulting in a loss on settlement of debt of \$33,046. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of six months.
 - ii) The Company issued 288,128 units with a fair value of \$294,659 to settle debt of \$201,690, resulting in a loss on settlement of debt of \$92,969. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.80 per share for a period of six months.
 - iii) The Company issued 178,532 units with a fair value of \$187,538 to settle debt of \$98,193, resulting in a loss on settlement of debt of \$89,345. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.70 per share for a period of one year.
 - iv) The Company issued 93,850 units with a fair value of \$82,923 to settle debt of \$61,003, resulting in a loss on settlement of debt of \$21,920. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.70 per share for a period of six months.
 - v) The Company issued 414,288 units with a fair value of \$307,889 to settle debt of \$207,144, resulting in a loss on settlement of debt of \$100,745. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.57 per share for a period of one year.

14. 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, 2018	28,494,194	\$ 0.53
Issued	23,626,730	0.51
Exercised	(7,208,069)	0.61
Expired	(5,116,948)	2.69
Balance, November 30, 2019	39,795,907	1.25
Issued	70,296,894	0.13
Exercised	(2,803,332)	0.20
Expired	(20,319,032)	1.89
Balance, November 30, 2020	86,970,437	\$ 0.23

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14. Share Purchase Warrants (continued)

As at November 30, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
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
6,934,245	\$ 0.08	April 26, 2021
2,415,941	\$ 0.10	May 1, 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
277,777	\$ 0.11	September 8, 2022
19,000,000	\$ 0.10	October 9, 2022
5,460,000	\$ 0.50	October 30, 2023
200,000	\$ 0.34	January 3, 2024
<u>86,970,437</u>		

Special Warrants

During the year ended November 30, 2020, the Company completed the following transactions:

- (a) 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.
- (b) 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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14. Share Purchase Warrants (continued)

- (c) 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.
- (d) 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.
- (e) 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 12 months from the date of the issuance.
- (f) 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 4 months from the date of the issuance.
- (g) 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.
- (h) 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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14. Share Purchase Warrants (continued)

- (i) 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.
- (j) 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.
- (k) On June 9, 2020, the Company issued 835,747 units at \$0.11 per unit to settle accounts payable of \$91,933. 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.
- (l) 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 24 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%.
- (m) 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 24 months from the date of the issuance.

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14. Share Purchase Warrants (continued)

- (n) On September 1, 2020, the Company closed a non-brokered private placement of 2,352,941 units at \$0.085 per unit for proceeds of \$200,000. 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 \$0.095 per share for a period of eight months from the date of the issuance.
- (o) On September 1, 2020, the Company issued 63,000 units at \$0.085 per unit to settle accounts payable of \$5,355. 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 \$0.095 per share for a period of eight months from the date of the issuance.
- (p) On October 26, 2020, the Company closed a non-brokered private placement of 5,785,713 units at \$0.07 per unit for proceeds of \$405,000. 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 \$0.08 per share for a period of six months from the date of the issuance.
- (q) On October 26, 2020, the Company issued 1,148,532 units at \$0.07 per unit to settle accounts payable of \$80,397. 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 \$0.08 per share for a period of six months from the date of the issuance.

During the year ended November 30, 2019, the Company completed the following transactions:

- (a) On August 7, 2019, the Company issued 5,914,933 special warrants at a price of \$0.30 per special warrant for proceeds of \$1,774,480. Each special warrant is exercisable without payment of additional consideration for one unit of the Company, where each unit consisted of one common share and one share purchase warrant exercisable at \$0.35 per share for a period of two years. Pursuant to the special warrant issuance, the Company paid finder's fees of \$80,448 and issued 268,160 finder's options with a fair value of \$84,554. Each finder's option is exercisable without payment of additional consideration for one finder's warrant, exercisable at \$0.30 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 \$0.42; an annualized volatility of 150%; an expected life of 2 years; no expected dividends or forfeitures; and a risk-free rate of 1.35%. The units and finder's warrants were qualified for distribution on August 15, 2019, and were issued upon the deemed exercise of these special warrants and finder's options.

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14. Share Purchase Warrants (continued)

- (b) On August 29, 2019, the Company issued 1,707,332 special warrants at a price of \$0.30 per special warrant for proceeds of \$512,200. Each special warrant is exercisable without payment of additional consideration for one unit, where each unit consisted of one common share and one share purchase warrant exercisable at \$0.35 per share for a period of two years. Pursuant to the special warrant issuance, the Company paid finder's fees of \$20,070 and issued 66,900 finder's options with a fair value of \$14,926. Each finder's option is exercisable without payment of additional consideration for one finder's warrant, exercisable at \$0.30 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 \$0.31; an annualized volatility of 150%; an expected life of 2 years; no expected dividends or forfeitures; and a risk-free rate of 1.24%. The units and finder's warrants were qualified for distribution on September 6, 2019, and were issued upon the deemed exercise of these special warrants and finder's options.
- (c) On September 13, 2019, the Company issued 1,400,000 special warrants at a price of \$0.25 per special warrant for proceeds of \$350,000. Each special warrant is exercisable without payment of additional consideration for one unit, where each unit consisted of one common share and one share purchase warrant exercisable at \$0.37 per share for a period of two years. The units were qualified for distribution on September 20, 2019, and were issued upon the deemed exercise of these special warrants.
- (d) On September 30, 2019, the Company issued 2,090,500 special warrants at a price of \$0.25 per special warrant for total proceeds of \$522,625. Each special warrant is exercisable without payment of additional consideration for one unit, where each unit consisted of one common share and one share purchase warrant exercisable at \$0.30 per share for a period of two years. The units were qualified for distribution on October 11, 2019, and were issued upon the deemed exercise of these special warrants.
- (e) On November 1, 2019, the Company issued 1,833,404 special warrants at a price of \$0.30 per special warrant for total proceeds of \$550,021. Each special warrant is exercisable without payment of additional consideration for one unit, where each unit consisted of one common share and one share purchase warrant exercisable at \$0.33 per share for a period of one year. Pursuant to the special warrant issuance, the Company paid finder's fees of \$6,150 and issued 20,500 finder's options with a fair value of \$3,231. Each finder's option is exercisable without payment of additional consideration for one finder's warrant, exercisable at \$0.30 per unit for a period of one year. 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 \$0.29; an annualized volatility of 150%; an expected life of 1 year; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.69%. The units and finder's warrants were qualified for distribution on November 8, 2019, and were issued upon the deemed exercise of these special warrants and finder's options.
- (f) On November 19, 2019, the Company issued 1,600,000 special warrants at a price of \$0.25 per special warrant for total proceeds of \$400,000, and 210,000 special warrants to settle debt of \$52,500. Each special warrant is exercisable without payment of additional consideration for one unit, where each unit consisted of one common share and one share purchase warrant exercisable at \$0.30 per share for a period of one year. The units were qualified for distribution on November 22, 2019, and were issued upon the deemed exercise of these special warrants.

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15. 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, 2018	8,361,000	\$ 0.36
Granted	9,706,828	0.52
Exercised	(1,625,000)	0.26
Expired/cancelled	(2,845,000)	0.46
Outstanding, November 30, 2019	13,597,828	0.46
Granted	6,528,000	0.17
Exercised	(120,000)	0.10
Expired/cancelled	(2,774,167)	0.39
Outstanding, November 30, 2020	17,231,661	\$ 0.37
Exercisable, November 30, 2020	13,344,280	\$ 0.42

Additional information regarding stock options outstanding and exercisable as at November 30, 2020, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$ 0.10 – 0.17	3,930,000	1,462,500	4.03
\$ 0.20 – 0.29	4,803,500	3,626,000	3.86
\$ 0.31 – 0.40	3,168,333	3,156,666	2.44
\$ 0.50 – 0.58	1,400,028	1,337,514	3.38
\$ 0.62 – 0.69	2,263,000	2,209,000	3.28
\$ 0.70 – 0.78	1,666,800	1,552,600	3.26
	17,231,661	13,344,280	3.46

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended November 30, 2020, the Company recognized share-based compensation expense of \$1,426,855 (2019 - \$2,728,834) in equity reserves, of which \$931,208 (2019 - \$1,306,909) pertains to directors and officers of the Company. The weighted average fair value of options granted during the year ended November 30, 2020, was \$0.13 (2019 - \$0.52) per share. The weighted average share price for stock options exercised was \$0.10 (2019 - \$0.26). Weighted average assumptions used in calculating the fair value of share-based compensation expense, assuming no expected dividends or forfeitures, are as follows:

	2020	2019
Risk-free interest rate	0.91%	1.57%
Dividend yield	0%	0%
Expected volatility	109%	144%
Expected life (years)	4.80	4.79

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15. Stock Options (continued)

As at November 30, 2020, there was \$195,213 (2019 - \$513,960) of unrecognized share-based compensation related to unvested stock options.

16. Changes in Equity of Subsidiary

The following table presents the changes in equity related to the Company's subsidiary, NeonMind, for the year ended November 30, 2020:

	Share capital	Equity reserves	Total shareholders' equity
Units issued for cash	\$ 803,865	\$ –	\$ 803,865
Share issuance costs	(112,549)	46,612	(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	–	95,751	95,751
Fair value of stock options granted	–	476,789	476,789
Fair value of restricted share units granted	–	212,949	212,949
Change in equity of subsidiary	<u>\$ 1,805,122</u>	<u>\$ 587,795</u>	<u>\$ 2,392,917</u>

The following table presents the changes in equity related to the Company's subsidiary, NeonMind, for the year ended November 30, 2019:

	Share capital	Equity reserves	Total shareholders' equity
Units issued for cash	<u>\$ 107,500</u>	<u>\$ –</u>	<u>\$ 107,500</u>

17. Non-controlling Interest

The following table presents the summarized financial information about the Company's subsidiary, NeonMind, that has a non-controlling interest of 50%. This information represents amounts before intercompany eliminations.

	November 30, 2020	November 30, 2019
Summarized statement of financial position:		
Current assets	\$ 95,364	\$ 107,689
Current liabilities	296,067	1,268,224
Current net assets (liabilities)	(200,703)	(1,160,535)
Non-current assets	114,535	32,400
Non-current liabilities	691,245	–
Non-current net assets (liabilities)	(576,710)	32,400
Net liabilities	<u>\$ (777,413)</u>	<u>\$ (1,128,135)</u>
Accumulated non-controlling interest	\$ (548,080)	\$ 106,203

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17. Non-controlling Interest (continued)

NeonMind was incorporated under the laws of the province of British Columbia, Canada, on September 18, 2019.

	For the year ended November 30, 2020	For the period from September 18, 2019 to November 30, 2019
Summarized statement of comprehensive loss:		
Net loss and comprehensive loss	\$ (2,677,195)	\$ (1,365,240)
Loss allocated to non-controlling interests	\$ (800,611)	\$ (1,297)
Summarized statement of cash flows:		
Cash flows from operating activities	\$ (853,447)	\$ (66)
Cash flows from financing activities	746,928	107,755
Net change in cash	\$ (106,519)	\$ 107,689

18. 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, 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 year ended November 30, 2020. The Company is not subject to externally imposed capital requirements.

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19. Supplemental Disclosures

	November 30, 2020	November 30, 2019
Non-cash investing and financing activities:		
Fair value of broker's warrants issued as finder's fees	\$ 46,612	\$ 164,189
Units issued for settlement of accounts payable	–	958,557
Special warrants issued for settlement of accounts payable	550,363	52,500
Units issued for inventory	275,283	–
Units issued for equipment	23,250	–
Units issued for intangible assets	1,311,000	–
Units issued for goodwill	534,588	–
Units issued on conversion of special warrants	4,990,188	–
Units received for settlement of accounts receivable	32,561	250,000
Shares issued for intangible assets	–	32,400
Reclassification of equity reserves for exercise of options and warrants	252,500	830,222
Restricted share units for services	\$95,751	–

20. Financial Instruments and Risk Management

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at November 30, 2020, as follows:

	Fair Value Measurements Using			Balance November 30, 2020
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Marketable securities	\$ 14,781	\$ 1,134	\$ –	\$ 15,915
Investment in associate	–	424,855	–	424,855
	\$ 14,781	\$ 425,989	\$ –	\$ 440,770

The fair values of other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company's credit risk is primarily attributable to accounts receivable. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada, and has no other significant concentration of credit risk arising from operations. Accounts receivable is primarily comprised of trade accounts receivable. 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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20. 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:

	2020 USD	2019 USD
Cash	\$ 1,373	\$ 5,633
Accounts receivable	13,762	–
Accounts payable and accrued liabilities	(53,771)	(237,126)
Net exposure	\$ (38,636)	\$ (231,493)
Canadian dollar equivalent	\$ (50,092)	\$ (307,631)

A 10% change in the foreign exchange rate of US dollars is not expected to have a material impact on the 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.

21. Commitments and Contingencies

Commitments

The Company has entered into multiple non-cancellable binding purchase orders for operational items that have yet to be fulfilled as of November 30, 2020, as well as various agreements for warehousing and consulting. The Company's annual contractual commitments for the next five years related to these items are as follows:

	Payments Due by Period			
	1 Year	2-3 Years	4-5 Years	Total
Purchase commitments	\$ 21,058	\$ –	\$ –	\$ 21,058
Lease payment obligations	121,768	181,837	36,525	340,130
Services contracts	153,300	–	–	153,300
	\$ 296,126	\$ 181,837	\$ 36,525	\$ 514,488

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21. Commitments and Contingencies (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 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.

Contingencies

On March 3, 2021, a claim was commenced against the Company and Jusu Bars Inc., which sold its assets to the Company during the year ended November 30, 2020 (see Note 10), regarding the failure of Jusu Bars Inc., to pay rent on its retail unit located in Calgary, Alberta. The landlord is seeking payment for the amounts owing in arrears and damages for breach of contract. The Company intends to defend this claim. Due to the uncertainty of timing and the amount of estimated future cash outflows relating to this claim, no provision has been recognized. Management believes that the probably ultimate resolution of the claim will not have a material adverse effect on the financial condition of the Company.

22. 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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22. Segmented Information (continued)

The following is a summary of the Company's results by operating segment for the years ended November 30, 2020 and 2019:

	Licensing and product sales	Consulting	Corporate and product development	Total
For the year ended November 30, 2020:				
Revenue	\$ 1,084,088	\$ 51,198	\$ –	\$ 1,135,286
Net loss before taxes	(1,607,244)	(36,160)	(8,268,440)	(9,911,844)
As at November 30, 2020:				
Total assets	3,094,906	60,590	1,502,893	4,658,389
Total liabilities	564,764	16,525	797,042	1,378,331
	Licensing and product sales	Consulting	Corporate and product development	Total
For the year ended November 30, 2019:				
Revenue	\$ 3,001,256	\$ 1,017,988	\$ –	\$ 4,019,244
Net income (loss) before taxes	(1,556,969)	232,210	(14,696,229)	(16,020,988)
As at November 30, 2019:				
Total assets	2,502,044	154,445	773,614	3,430,103
Total liabilities	1,088,964	28,102	1,033,909	2,150,975

Significant customers

For the year ended November 30, 2020, the Company had one significant customer in the licensing and product sales segment, comprising 46% of the Company's total revenue.

As at November 30, 2020, the Company had one significant accounts receivable balance outstanding relating to the consulting segment and one significant accounts receivable balance outstanding relating to the licensing and product sales segment, comprising 39% and 13% of the Company's total accounts receivable, respectively.

For the year ended November 30, 2019, the Company had two significant customers in the licensing and product sales segment comprising 58% of the Company's total revenues, and one significant customer in the consulting segment, comprising 25% of the Company's total revenue.

As at November 30, 2019, the Company had one accounts receivable balance relating to the licensing and product sales segment, and one accounts receivable balance relating to the consulting segment, comprising 71% and 20% of the Company's total accounts receivable from customers, respectively.

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23. Income Taxes

The Company is subject to Canadian federal and provincial tax at the rate of 27% (2019 – 27%). The tax effect of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2020	2019
Net loss	\$ (9,911,844)	\$ (16,020,988)
Statutory income tax rate	27%	27%
Income tax provision at statutory rate	\$ (2,676,201)	\$ (4,325,667)
Tax effect of:		
Change in enacted tax rates and true up	324,627	31,232
Permanent differences and other	707,703	603,482
Change in unrecognized deferred income tax assets	1,643,871	3,690,953
Income tax provision	\$ –	\$ –

The significant components of deferred income tax assets and liabilities are as follows:

	2020	2019
Deferred income tax assets		
Non-capital losses carried forward	\$ 4,878,216	\$ 4,003,822
Marketable securities and investments	257,539	292,143
Investment in associate	454,305	68,166
Capital assets	766,227	331,469
Share issuance costs	89,395	106,211
Total gross deferred income tax assets	\$ 6,445,682	\$ 4,801,811
Unrecognized deferred income tax assets	(6,445,682)	(4,801,811)
Net deferred income tax assets	\$ –	\$ –

As at November 30, 2020, the Company has non-capital losses carried forward of \$18,092,234 which are available to offset future years' taxable income. These losses expire as follows:

Year of expiry	Non-capital loss carryforward
2034	\$ 352
2035	67
2036	45
2037	492,253
2038	3,582,052
2039	9,130,805
2040	4,886,660
	\$ 18,092,234

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24. Subsequent Events

On December 3, 2020, the Company issued 2,613,635 special warrants at a price of \$0.055 per unit for proceeds of \$143,750. 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 \$0.07 per share for a period of six months from the date of issuance for an additional common share of the Company.

Subsequent to November 30, 2020, the Company issued 9,940,569 common shares pursuant to the exercise of warrants for proceeds of \$810,342.

Subsequent to November 30, 2020, the Company issued 400,000 common shares pursuant to the exercise of stock options for proceeds of \$40,000.

On February 19, 2021, the Company issued 500,000 shares in exchange for consulting services with fair value of \$60,000.

Subsequent to November 30, 2020, the Company granted the following stock options:

- On December 17, 2020, the Company granted 4,110,000 stock options to directors, officers, employees, and consultants, which are exercisable at \$0.17 per share for a period of five years, and vests four months after the grant date.
- On December 17, 2020, the Company granted 50,000 stock options to an employee, which are exercisable at \$0.17 per share for a period of five years. The stock options vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.
- On February 17, 2021, the Company granted 2,850,000 stock options to consultants, which are exercisable at \$0.15 per share for a period of five years, and vests four months after the grant date.
- On February 17, 2021, the Company granted 350,000 stock options to employees, which are exercisable at \$0.15 per share for a period of five years. The stock options vest over 30 months in ten equal tranches, with the first vesting period commencing four months after the grant date.
- On February 26, 2021, the Company granted 1,200,000 stock options to directors and officers, which are exercisable at \$0.13 per share for a period of five years. The stock options vest over 12 months in four equal tranches, with the first vesting period commencing four months after the grant date.
- On February 26, 2021, the Company granted 75,000 stock options to directors and officers, which are exercisable at \$0.13 per share for a period of five years. The stock options vest over 30 months in ten equal tranches, with the first vesting period commencing four months after the grant date.
- On February 26, 2021, the Company granted 400,000 stock options to a consultant and an officer, which are exercisable at \$0.13 per share for a period of five years. The stock options vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.

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24. Subsequent Events (continued)

The following events were subsequent to November 30, 2020 and relate to the Company's subsidiary, NeonMind:

- Effective December 30, 2020, NeonMind completed its initial public offering of 46,000,000 units at \$0.10 per unit for gross proceeds of \$4,600,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.20 per share until December 30, 2021. In connection with the IPO, the Company paid brokers' fees of \$45,000 and issued 4,600,000 brokers' warrants which are exercisable at \$0.20 per share until December 30, 2022.
- Subsequent to November 30, 2020, NeonMind issued 610,000 common shares pursuant to the exercise of stock options for proceeds of \$61,000.
- Subsequent to November 30, 2020, NeonMind issued 6,955,500 common shares pursuant to the exercise of warrants for proceeds of \$1,213,700.
- Subsequent to November 30, 2020, NeonMind issued 1,621,883 common shares pursuant to the vesting of restricted share units.
- Subsequent to November 30, 2020, NeonMind granted the following stock options:
 - i) On January 7, 2021, NeonMind granted 1,640,000 stock options to a director, officers and consultants, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.
 - ii) On January 7, 2021, NeonMind granted 4,100,000 stock options to its officers, which are exercisable at \$0.25 per share for a period of five years, and vests four months after the grant date.
 - iii) On January 7, 2021, NeonMind granted 200,000 stock options to a consultant, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 12 months in four equal tranches, with the first vesting period commencing four months after the grant date.
 - iv) On January 19, 2021, NeonMind granted 220,000 stock options to consultants, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 12 months in four equal tranches, with the first vesting period commencing four months after the grant date.
 - v) On January 19, 2021, the Company granted 20,000 stock options to a consultant, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.

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24. Subsequent Events (continued)

- vi) On January 27, 2021, NeonMind granted 4,000,000 stock options to an officer, which are exercisable at \$0.28 per share for a period of five years. The stock options vest over 30 months in 10 equal tranches, with the first vesting period commencing four months after the grant date.
 - vii) On February 24, 2021, NeonMind granted 25,000 stock options to a consultant, which are exercisable at \$0.32 per share for a period of five years, and vests four months after the grant date.
 - viii) On March 9, 2021, NeonMind granted 100,000 stock options to a consultant, which are exercisable at \$0.29 per share for a period of five years, and vests four months after the grant date.
 - ix) On March 9, 2021, NeonMind granted 100,000 stock options to a consultant, which are exercisable at \$0.29 per share for a period of five years. The stock options vest over 12 months in 4 equal tranches, with the first vesting period commencing four months after the grant date.
- Subsequent to November 30, 2020, NeonMind granted the following restricted share units:
 - i) On January 7, 2021, NeonMind granted 300,000 restricted share units to an officer. The restricted share units vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.
 - ii) On January 27, 2021, NeonMind granted 300,000 restricted share units to an officer. The restricted share units vest over 30 months in 10 equal tranches, with the first vesting period commencing four months after the grant date.