YSS CORP.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Three and six months ended June 30, 2019 and July 31, 2018

Expressed in Thousands of Canadian Dollars

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") of YSS Corp. ("YSS" or the "Company") has been prepared by management as of August 20, 2019 and provides a comparison of the performance of the Company for the three and six months ended June 30, 2019 and July 31, 2018. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019 and July 31, 2018 (the "interim financial statements"), audited consolidated financial statements for the eleven months ended December 31, 2018 and year ended January 31, 2018 (the "annual financial statements") and the Annual Information Form ("AIF") for the eleven months ended December 31, 2018 each of which is filed on SEDAR at www.sedar.com. The information in this MD&A is current to August 20, 2019, unless otherwise noted.

In this MD&A, unless the context otherwise requires, all references to "we", "us", "our", "YSS" or "the Company" refer to YSS Corp., or its subsidiaries, and all references to "Management" refer to the directors and executive officers of the Company.

Unless otherwise stated, financial information in this MD&A is expressed in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as set out in the Handbook of the Chartered Professional Accountants – Part I, for financial statements. Certain dollar amounts have been rounded to the nearest million dollars, hundred thousand dollars or thousand dollars, as noted.

In 2018, the Company changed its year end to December 31, from January 31, and as such the three and six month periods for the current quarter of 2019 and 2018 are not the same three and six calendar months for each of the respective years. In this MD&A, the three month period ended June 30, 2019 may be referred to as "the quarter ended June 30, 2019", "the second quarter of 2019", "the current quarter" or "Q2-2019", and the three month period ended July 31, 2018 may be referred to as "the quarter ended July 31, 2018", "the second quarter of 2018", "the comparative quarter in 2018" or "Q2-2018", respectively. Furthermore, the "six month period ended June 30, 2019" or "YTD-2019" refers to the period from January 1, 2019 to June 30, 2019 whereas the "six month period ended July 31, 2019", the "comparative six month period ending July 31, 2018" or "YTD-2018" refers to the period from February 1, 2018 to July 31, 2018.

On January 1, 2019, the Company adopted the new accounting standard, IFRS 16, Leases ("IFRS 16") using the modified retrospective approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adoption of IFRS 16 had a significant effect on our reported results which are discussed in the 'Critical Accounting Estimates and Accounting Policies' section of this MD&A.

The Shareholders of the Company approved the name change from Solo Growth Corp. to YSS Corp., and the change in trading symbol to "YSS" at the May 29, 2019 Annual General Meeting. The common shares are listed on the TSX-V Exchange (the "Exchange") under the trading symbol "YSS". The Shareholders also approved a share consolidation on the basis of 1 common share for 6 common shares. The share consolidation was effective June 17, 2019. All references to number of shares issued and outstanding, warrants issued and outstanding and earnings per share amounts in this MD&A and the interim financial statements, including comparative figures, have been adjusted to reflect the consolidation on a 1 for 6 basis.

Additional information relating to YSS can be found at www.ysscorp.ca. The Company's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and interim financial statements, Information Circulars, AIF and various news releases issued by the Company are also available through SEDAR at www.sedar.com.

BUSINESS UPDATE AND OUTLOOK

The Company is pleased to announce the financial results for the three and six months ended June 30, 2019 and provide an operational update. Selected financial and operational information is outlined below and should be read in conjunction with YSS' condensed interim consolidated financial statements for the three and six months ended June 30, 2019 and this management's discussion and analysis ("MD&A").

In connection with the acquisition of Sweet Tree Modern Apothecary Ltd. ("Sweet Tree") on June 13, 2019, two retail locations operating under the Sweet Tree brand (together, the "Sweet Tree Stores") were added, along with a portfolio of additional licensed, under construction, and unconstructed retail locations. The Company's Q2 financials include three months of operations at YSS Red Deer and 18 days of operations from the Sweet Tree Stores.

Q2 2019 Financial & Operating Highlights

- Revenue of $1.4 million for the second quarter of 2019 primarily due to a full quarter of operations at YSS Red Deer, where hours of operation increased from five to seven days per week in June 2019, reflective of the increase in cannabis supply availability. The Sweet Tree Stores contributed 18 days of operations and generated $303 thousand in revenue of the $1.4 million total for the quarter.
- Gross margin of $504 thousand and store-level adjusted cash flow of $389 thousand was realized in the second quarter of 2019, driven by the performance of the YSS Red Deer store acquired late in Q1 2019 and the Sweet Tree Stores acquired mid-June 2019.
- Approximately $1.7 million was directed to investing activities during Q2 2019, of which $1.4 million was used for the acquisition of the Sweet Tree Stores.
- As at June 30, 2019, the Company had a cash position of $12.2 million.
- The Company exited the quarter with inventories of $798 thousand compared to $327 thousand at March 31, 2019, $592 thousand of which relates to cannabis and accessories inventory on hand at YSS' three operating retail stores, with the remainder being accessories and supplies inventory at various other locations in preparation of anticipated store openings in Q3 2019.

During the second quarter of 2019, the Company's shareholders approved the name change of the Company to "YSS Corp." a consolidation of the issued and outstanding common shares in the capital of the Company (the "Common Shares") up to a six to one basis. The Common Shares began trading on the TSX Venture Exchange under the Company's new name and new stock symbol "YSS" at market opening on June 4, 2019 and the Common Shares were consolidated on a six to one basis on June 17, 2019. The Q2 financial results for YSS largely reflect the contribution of the Company's Red Deer store, which was operational throughout the full quarter.

Operational Update

- In July 2019, the first full calendar month of operations following the acquisition of Sweet Tree, the Company estimates revenue of approximately $970 thousand reflective of a full month contribution from three stores (Red Deer, Riverbend, Forest Lawn), 24 days contribution from Sunridge and 10 days contribution from High River.
- July gross margin and store-level adjusted cash flow is estimated as $324 thousand and $185 thousand, respectively.
- Currently, the Company has ten stores open, six of which are operating under the YSS brand, (Red Deer, Calgary, Stony Plain, Spruce Grove, Vermilion and Vegreville) and four operating under the Sweet Tree brand (Calgary communities of Riverbend, Forest Lawn, and Sunridge as well as one in High River).
- The Company's two incremental Alberta Gaming, Liquor, and Cannabis Commission ("AGLC") licensed locations in Edmonton and Lloydminster are anticipated to open early in September.
- The Company's two locations under construction, Sweet Tree 17th Avenue downtown Calgary and Sweet Tree Okotoks, are anticipated to be ready for AGLC inspection mid-September.
- In addition, YSS is in various stages of planning and construction on six locations with the objective of growing to 20 constructed stores by year end 2019.

"We are pleased with the revenue and gross margin performance generated by YSS during the second quarter with one store open for the full period, and two stores contributing only 18 days of operations," said Theo Zunich, President and CEO of YSS. "With $12.2 million in cash at the end of the quarter, and at least 12 open stores contributing to the second half of 2019 results, YSS is well positioned for continued expansion across Alberta and Canada."

The Company is committed to becoming the trusted destination for cannabis in Canada by creating and delivering a premier in-store retail experience through understanding customer demands and data, implementing standardized procedures, investing in brand and retail design, offering interactive in-store technology, and developing an experienced and welcoming team. YSS views the continued investment in customer experience as instrumental to establishing customer loyalty, brand recognition and ultimately future business.

(Expressed in thousands of Canadian dollars except for per share amounts)

PERFORMANCE OVERVIEW

The following table sets out the summary consolidated financial information for the periods indicated. The summary interim financial information for the three months ended each of June 30, 2019, July 31, 2018 and March 31, 2019 have been derived from the unaudited condensed interim consolidated financial statements, prepared in accordance with IFRS and are unaudited. The unaudited financial information presented has been prepared on a basis consistent with the Company's most recent audited annual financial statements.

	Three months ended			Three months ended		
	June 30, 2019	**July 31, 2018**	**Change**	**June 30, 2019**	**March 31, 2019**	**Change**
	$	**$**	**$**	**$**	**$**	**$**
REVENUE	1,393	-	1,393	1,393	158	1,235
Cost of goods sold	(889)	-	(889)	(889)	(98)	(791)
GROSS MARGIN	504	-	504	504	61	443
EXPENSES						
Operating costs	(115)	-	(115)	(115)	(10)	(105)
Exploration and evaluation expenses	-	(11)	11	-	-	-
General and administrative	(840)	(127)	(713)	(840)	(521)	(319)
Depreciation on property and equipment	(9)	-	(9)	(9)	(3)	(6)
Depreciation on right-of-use assets	(19)	-	(19)	(19)	(2)	(17)
Amortization on intangibles	(260)	-	(260)	(260)	-	(260)
Stock based compensation	(293)	(13,326)	13,033	(293)	-	(293)
OPERATING LOSS	(1,032)	(13,464)	12,432	(1,032)	(474)	(558)
OTHER INCOME (EXPENSES)						
Finance costs	(142)	(1)	(141)	(142)	(109)	(33)
Terminated leased asset costs	2	-	2	2	(10)	12
Write off of exploration and evaluation assets	-	(160)	160	-	-	-
Interest and other income	54	-	54	54	73	(19)
Loss on fair value adjustments	-	-	-	-	(173)	173
	(86)	(161)	75	(86)	(219)	133
LOSS BEFORE INCOME TAXES	(1,118)	(13,625)	12,507	(1,118)	(693)	(425)
INCOME TAXES						
Deferred income tax recovery	2,133	-	2,133	2,133	901	1,232
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,015	(13,625)	14,640	1,015	208	807
EARNINGS (LOSS) PER SHARE - BASIC	$ 0.01	$ (0.34)	$ 0.35	$ 0.01	$ (0.55)	$ 0.56

Revenue

The Company recorded revenue of $1.4 million for the second quarter of 2019, up $1.2 million over the first quarter of 2019. The revenue in Q2-2019 was primarily generated from the Red Deer store, which was acquired March 20, 2019. On June 13, 2019, the Company added two additional stores to its operations (the "Sweet Tree stores"), for a total of three stores in operation by quarter's end (see *Business Combinations* of 'Business Overview'). No revenue was generated in the comparative period in 2018 as the Cannabis Act was not in effect until October 17, 2018. Revenue is expected to continue to increase as nine additional licenses were granted by the Alberta Gaming, Liquor and Cannabis Commission ("AGLC") subsequent to the quarter end, of which seven additional stores were opened subsequent to the quarter end and a total of ten were operational at the time of this MD&A.

On a combined basis, the Company generated $1.6 million in revenue for the six months ended June 30, 2019 compared to nil in the comparative period in 2018, for the reasons stated above.

Gross Margin

Gross margin of $504 thousand (36%) for the second quarter of 2019 was up $442 thousand over the first quarter in 2019, due to a full quarter operations from the Red Deer store and the two operating Sweet Tree stores acquired on June 13, 2019.

The Company generated gross margin of $565 thousand (36%) for the six month period ended June 30, 2019. There was no gross margin in the comparative period in 2018 for the reasons mentioned above.

Operating Costs

Operating costs of $115 thousand for Q2-2019 was up $115 thousand over Q1-2019, and $125 thousand for the six months ended June 30, 2019 compared to $nil for the comparative periods in 2018. Operating costs are direct store costs relating to operations and represent approximately 8% of sales for both the quarter and six month period ended June 30, 2019.

Evaluation and Exploration ("E&E") Expenses

The Company incurred $nil in E&E expenses compared to $11 thousand for the comparative quarter in 2018. On a year to date basis, the Company incurred $nil in E&E expenses for the six month period ended June 30, 2019 compared to $5 thousand for the comparative period in 2018. The Company exited the mining business during the second quarter of 2018 and as such there are no E&E expenses in 2019.

General and Administrative ("G&A") Expenses

Total G&A expenses of $840 thousand for the current quarter were up $713 thousand over the comparative quarter in 2018 and $319 over Q1-2019. In Q2-2019, G&A expenses were comprised of wages and consulting costs of $170 thousand; audit and legal fees of $305 thousand; insurance costs of $69 thousand; and other general costs of $296 thousand (compared to $41 thousand; $58 thousand; $23 thousand; and $5 thousand, respectively for Q2-2018). The increase over Q1-2019 is mainly attributable to legal, accounting and consulting costs associated with the Sweet Tree acquisition. The increase over the comparable period in the prior year is attributable to costs associated with the Company's cannabis retail business compared to winding down and exiting the mining business in the prior year.

Total G&A expenses of $1.36 million for the six month period ended June 30, 2019 were up $1.22 million for the comparative period in 2018. G&A expenses were comprised of wages and consulting costs of $323 thousand; audit and legal fees of $448 thousand; insurance costs of $137 thousand; and other general costs of $452 thousand (compared to $51 thousand; $59 thousand; $23 thousand; and $7 thousand, respectively for the six months ended July 31, 2018). The increase is attributable to general head office expenses associated with the Company's cannabis retail business and acquisition costs for the Red Deer and Sweet Tree Acquisitions, as compared to general startup costs associated with the Company's cannabis retail business and winding down and exiting the mining business in the prior year.

Depreciation on Property and Equipment

Depreciation of $9 thousand related to head office computer equipment and leasehold improvements has been recorded for the second quarter of 2019 and $12 thousand for the six months ended June 30, 2019, compared to $nil for the second quarter in 2018 and $nil for the six months ended July 31, 2018. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset and commences once the asset is 'in use'. In the case of retail store leasehold improvements, the assets are considered 'in use' once the stores have been inspected and applicable licensing issued. The Company owned leasehold improvements under construction which were not considered 'in use' during the first half of 2018 and as such no depreciation was recorded during the comparative periods.

Depreciation on Right-of-Use Assets

Right-of-use asset depreciation of $19 thousand was recorded for the second quarter of 2019 (Q2-2018 $nil) and $21 thousand for the six months ended June 30, 2019 (YTD-2018 $nil) on the right-of-use assets that were recorded on the adoption of IFRS 16 (see 'Critical Accounting Estimates and Accounting Policies').

Amortization on Intangibles

Amortization on intangibles of $260 thousand was recorded for the second quarter of 2019 (Q2-2018 $nil) and $260 thousand for the six months ended June 30, 2019 (YTD-2018 $nil) on the licenses associated with the Company's Red Deer and Sweet Tree stores. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, being the remaining lease term, and commences once the asset is 'in use'. No amortization has been recorded on the Company's other definite life intangibles, being website development and acquired leases, as those assets are not considered 'in-use' during the period.

Stock Based Compensation

Stock based compensation of $293 thousand associated with performance warrants issued as finder's fees with respect to the Sweet Tree Acquisition was recorded during the three and six months ended June 30, 2019, compared to $13.3 million in stock based compensation for performance warrants issued to management and directors related to the June 28, 2018 private placement for the three and six months ended July 31, 2018.

Operating Loss

The operating loss of $1.0 million for the second quarter of 2019 ($13.4 million for the second quarter of 2018) is mainly attributable to operating costs, general and administrative costs, depreciation and amortization associated with the Company's cannabis retail business and stock based compensation offset by an increase in gross margin from the Red Deer and Sweet Tree stores, as compared to commencing the Company's cannabis retail business and exiting the mining business in the prior year. Excluding the effect of stock based compensation, the Company's operating loss for the quarter would have been $739 thousand compared to $138 thousand for the comparative period of 2018.

The operating loss of $1.5 million for the six month period ended June 30, 2019 ($13.5 million for the six month period ended July 31, 2018) is mainly attributable to operating costs, general and administrative costs, depreciation and amortization associated with the Company's cannabis retail business and stock based compensation offset by an increase in the gross margin from the Red Deer and Sweet Tree stores, as compared to commencing the Company's cannabis retail business and exiting the mining business in the prior year. Excluding the effect of stock based compensation, the Company's operating loss for the period would have been $1.2 million compared to $145 thousand for the comparative period of 2018.

Finance Costs

Finance costs were $142 thousand and $251 thousand for the three and six months ended June 30, 2019, respectively as compared to $1 thousand and $3 thousand for the three and six months ended July 31, 2018, respectively. The increase is due to the adoption of IFRS 16 in which lease accretion charges of $142 thousand were recognized as finance costs for the current quarter (see 'Critical Accounting Estimates and Accounting Policies'). Finance costs in the comparative period of 2018 relate to interest on a loan from Ragged Range Mining Pty Ltd. which was repaid in full on June 28, 2018.

Terminated Leased Asset Costs

The Company incurred terminated leased asset costs recovery of $2 thousand for the three months ended June 30, 2019 and costs of $8 thousand for the six months ended June 30, 2019 relating to early termination of certain of the Company's retail lease spaces, due to the significant changes in the Alberta and Ontario government cannabis retail license processes in the latter part of 2018. The costs represent forfeited lease deposits. No amounts for terminated leased asset costs were recorded during the comparative quarter in 2018.

Interest and Other Income

Interest and other income is comprised of interest earned on cash in the amount of $54 thousand for Q2-2019 and $127 thousand for YTD-2019, compared to $nil for Q2-2018 and YTD-2018. Cash increased due to the funds raised on the June 28, 2018 private placement and December 18, 2018 rights offering, where the Company held any excess funds not used for current operations in short-term (less than 90 day) term deposits with financial institutions.

Loss on Fair Value Adjustments

The loss on fair value adjustments of $nil for the second quarter of 2019 and $173 thousand on a year to date basis for 2019 is a result of the remeasurement of the warrant liabilities to fair value at June 30, 2019 using the *Black-Scholes Option Pricing Model.* The main factor in the change in the fair value was the change in share price at June 30, 2019 versus March 31, 2019 and December 31, 2018. No gain or loss on fair value adjustments was recorded for the comparative quarter or period in 2018 as no such warrant liabilities existed during the comparative period.

Deferred Income Tax Recovery

A deferred income tax recovery of $2.1 million was recorded during the second quarter of 2019 and $3.0 million for the six month period ended June 30, 2019 as a result of recognizing a deferred income tax liability associated with the Sweet Tree and Red Deer Store Acquisitions and a corresponding previously unrecognized deferred income tax asset. At December 31, 2018 the Company had unrecognized deferred income tax assets of approximately $20 million as it was not considered probable at that time that sufficient future taxable profits would be available against which the temporary differences could be utilized. With the Sweet Tree and Red Deer Store Acquisitions, a portion of these previously unrecognized deferred income tax assets have been recognized, offsetting the deferred income tax liability acquired, resulting in a deferred income tax recovery during the period.

Net Income (Loss) and Comprehensive Income (Loss)

The net income and comprehensive income of $1.0 million for the three months ended June 30, 2019 is attributable to the gross margin from its newly acquired Red Deer and Sweet Tree stores, the deferred income tax recovery and interest and other income from increased cash on hand raised on its private placement and rights offering in 2018, offset by general and administrative costs, terminated leased asset costs and depreciation associated with the Company's cannabis retail business, which commenced June 28, 2018. Comparatively for the second quarter of 2018, the Company had a net loss and comprehensive loss of $13.6 million mainly attributable to stock based compensation ($13.3 million), general and administrative costs ($127 thousand) and write off of exploration and evaluation assets ($160 thousand) as the Company's cannabis retail business commenced and the mining business was winding down. Excluding the effect of stock based compensation and the write off of exploration and evaluation assets, the Company's net income (loss) and comprehensive income (loss) for the quarter would have been income of $1.3 million compared to a loss of $139 thousand for the comparative period of 2018.

Comparatively on a year to date basis, the net income and comprehensive income of $1.2 million for the six months ended June 30, 2019 is attributable to the gross margin from its newly acquired Red Deer and Sweet Tree stores, the deferred income tax recovery and interest and other income from cash on hand raised on its private placement and rights offering in 2018, offset by general and administrative costs, terminated leased asset costs and depreciation associated with the Company's cannabis retail business, which commenced June 28, 2018. For the six months ended July 31, 2018, the Company had a net loss and comprehensive loss of $13.6 million mainly attributable to stock based compensation ($13.3 million), general and administrative costs ($127 thousand) and write off of exploration and evaluation assets ($160 thousand) as the Company's cannabis retail business commenced and the mining business was winding down. Excluding the effect of stock based compensation and the write off of exploration and evaluation assets, the Company's net income (loss) and comprehensive income (loss) for the period would have been income of $1.5 million compared to a loss of $148 thousand for the comparative period of 2018.

LIQUIDITY AND CAPITAL RESOURCES

Analysis of Cash Flows

The Company held cash of $12.2 million as at June 30, 2019 compared to $14.7 million as at December 31, 2018 and $23.5 million as at July 31, 2018.

The Company used cash of $477 thousand in its operations for the second quarter of 2019 compared to $348 thousand for the comparative quarter of 2018. The increase in cash used for operations is attributable to the Company's retail cannabis business which commenced June 28, 2018, whereas the Company's mining operations wound down during the same period of 2018. For the six months ended June 30, 2019 the Company used cash in its operations of $987 thousand versus $365 thousand for the comparative period of 2018. The increase in cash used for operations is attributable to the Company's retail cannabis operations for the entire period whereas in the comparative period the cannabis retail operations had only just begun and the mining operations had wound down.

The Company used cash of $2.0 million (Q2-2018 $52 thousand) in investing activities during Q2-2019 of which $1.4 million ($1.426 million net of $34 thousand cash acquired) was used for the acquisition of the Sweet Tree stores and the balance was used for additional leasehold improvements and equipment for the Company's other retail stores. The Company had used $52 thousand for leasehold improvements during the during the second quarter of 2018 as the Company's cannabis retail operations commenced June 28, 2018. For the six months ended June 30, 2019 the Company used cash in its investing activities of $6.0 million versus $52 thousand for the comparative period of 2018. The increase in cash used for its investing activities is attributable to $3.9 million for the acquisition of its Sweet Tree and Red Deer stores and the balance for additional leasehold improvements and equipment for the Company's other retail stores, whereas the Company's cannabis retail operations had only just commenced June 28, 2018.

The Company used cash of $159 thousand in its financing activities for the second quarter of 2019, compared to generated cash of $23.9 million for the comparative quarter in 2018. The Company used cash to pay for share issue costs relating to the shares issued on the Sweet Tree Acquisition. The adoption of IFRS 16 has also resulted in the recognition of a portion of principal lease payments as cash used for financing payments in the quarter, whereas the Company had no such comparable costs during the quarter ended July 31, 2018. The cash generated from financing activities in Q2-2018 of $23.9 million related to cash generated from the private placement on June 28, 2018, cash from stock options exercised, net of share issue costs and loan repayments to Ragged Range. For the six month period ended June 30, 2019 the Company used cash of $392 thousand in its financing activities, compared to generated cash of $23.9 million for the comparative period of 2018. The Company used cash to pay for share issue costs relating to the shares issued on the Sweet Tree Acquisition as well as principle portion of lease payments as described above for the six months ended June 30, 2019. For the comparative period of 2018, cash was generated from the private placement on June 28, 2018, cash from stock options exercised, net of share issue costs and loan repayments to Ragged Range.

Working Capital[1]

The Company's working capital position of $11.1 million decreased by $7.6 million at June 30, 2019 versus December 31, 2018 attributable primarily to a decrease in cash that was used for the acquisition of the Red Deer and Sweet Tree stores and additional leasehold improvements and equipment for the Company's other retail stores as well as an increase in the current portion of lease liabilities which were recognized upon the adoption of IFRS 16 on January 1, 2019. As AGLC resumed issuing applicable licensing during the quarter and the Company now has multiple retail stores in operation (three at June 30, 2019 and ten at the date of this report with a further two stores licensed and expected to be opened before the end of Q3 2019) the Company believes it is well funded for the forecasted planned capital and initial inventory expenditures as additional stores commence operations as licenses are received.

Capital Resources

The Company is prudent with commitments and the rate of capital expenditure to ensure that it is able to meet liabilities as they come due. With the licensing suspension lifted, ten stores in operation at the date of this report and more slated to open in the coming months, the Company has a substantial revenue stream to allow the Company to fund its operations well past 2021.

ANALYSIS OF CONSOLIDATED FINANCIAL POSITION

Financial Performance

The discussion below analyzes certain changes in the Company's consolidated financial position as at June 30, 2019 compared to December 31, 2018:

The Company has cash of $12.2 million at June 30, 2019 compared to $19.6 million (including restricted cash of $4.9 million) at December 31, 2018. The Company's cash position decreased primarily due to cash paid for the Sweet Tree and Red Deer Store Acquisitions, additional leasehold improvements, equipment and investments in inventory for the Company's other retail stores and ongoing costs related to funding the growth of the cannabis business (see

1 Working capital is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that this measure should not be relied on as an indicator of the Company's financial performance, of its cash flows from operating, investing and financing activities or be relied on as a measure of its liquidity and cash flows. The Company's method of calculating the aforementioned non-IFRS financial measure, being current assets less current liabilities, may differ from the methods used by other issuers. Therefore, this measure may not be comparable to similar measures presented by other issuers.

'Liquidity and Capital Resources'). The Company's restricted cash at December 31, 2018 was restricted pending the approval of the Change of Business by the Toronto Stock Exchange – Venture which occurred on January 3, 2019.

Receivables of $114 thousand, primarily consisting of federal sales taxes receivable and accrued interest on short-term term deposits, can fluctuate from period to period depending on expenditures incurred net of taxes collected from customers during the period and the balance of excess cash invested in short-term term deposits. The Company does not have traditional trade accounts receivable from customers as payment for sales is collected at the time of sale.

Inventories of $798 thousand, consisting of cannabis, accessories and supplies, increased $578 thousand during the period primarily due to the cannabis inventory on hand on June 30, 2019 at the Red Deer and Sweet Tree stores. As at December 31, 2018, the inventory related to accessories and supplies but the Company did not have any stores in operation and as such did not have any cannabis inventory on hand.

Prepaid expenses and lease deposits of $377 thousand have decreased by $277 thousand primarily due to lease deposits applied against rent due in the period and expensing of various prepaid expenses such as insurance.

The Company spent $1.2 million on property and equipment consisting of retail store leasehold improvements under construction and computer equipment during the period, with a carrying value of $5.6 million, as at June 30, 2019 compared to $3 million as at December 31, 2018. As at June 30, 2019, the Company had three operational stores and had completed construction on a further nine stores with 8 of those inspected and ready for AGLC licensing. At the date of this report, the Company had ten operational stores with the remaining two having received AGLC licenses and expected to be opened before the end of the next quarter. The Company has an incremental 15 secured locations in Alberta, with eight stores in various stages of planning and construction.

The right-of-use assets of $8.9 million resulted from the adoption of IFRS 16 on January 1, 2019 using a modified retrospective approach with no restatement of prior periods and as such, was included as part of the Company's commitments, not as a right-of-use asset at December 31, 2018 (see 'Critical Accounting Estimates and Accounting Policies').

Intangible assets of $16.7 million consisting of acquired leases and licenses, retail branding, and website development increased $12.7 million during the period ended June 30, 2019 due to the fair value attributed to the licenses acquired from the Sweet Tree and Red Deer Store Acquisitions, net of amortization of $260 thousand recorded during the period. The licenses, which have a finite useful life, are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the term of the leases. Amortization on the Company's other definite life intangibles, website development and acquired leases, will commence once the assets are considered "in use", in accordance with Company's accounting policy.

Trade and other payables of $1.6 million at June 30, 2019, decreased from $2.1 million at December 31, 2018 primarily due to the decrease in the leasehold improvement construction related costs as stores were completed and inspected by AGLC during the current period as well as the payment of share issue costs relating to the rights offering and change in business filings in the latter part of 2018 and early 2019.

Warrant liabilities of $847 thousand increased $467 thousand during the period due to the fair value of $294 thousand attributed to the warrants issued during the period and the remainder of $173 thousand being remeasurement of the warrant liabilities to fair value at June 30, 2019. The main factor in the change in the fair value was the change in share price at June 30, 2019 versus December 31, 2018.

Lease liabilities of $9 million were recognized at June 30, 2019 ($842 thousand short term and $8.2 million long-term) (December 31, 2018 – $nil) upon the adoption of IFRS 16 (see 'Critical Accounting Estimates and Accounting Policies').

SHARE CAPITAL

Authorized

An unlimited number of common shares.

Issued and outstanding

As at June 30, 2019 there were 116,177,484 issued and fully paid common shares outstanding (December 31, 2018 – 111,677,484) after giving effect to a share consolidation on the basis of 1 common share for every 6 common shares previously held.

Changes during the three and six months ended June 30, 2019

In addition to the share consolidation described above, the Company issued 4,500,000 shares with respect to the Sweet Tree Acquisition on June 13, 2019 and incurred related share issue costs of $113 thousand. The Company incurred additional share issue costs of $31 thousand in conjunction with the change of business filing that was finalized on January 4, 2019. There were no other share capital transactions during the three and six months ended June 30, 2019.

The Company received two AGLC licenses for applicable Sweet Tree locations on June 17, 2019 and July 2, 2019, and as a result, 9,500,000 common shares were issued with a fair value of $2.9 million on July 8, 2019 in partial settlement of the contingent consideration with respect to the Sweet Tree Acquisition, bringing the Company's total issued and outstanding common shares to 125,677,484 as at the reporting date of August 20, 2019.

Stock options

There were no changes in the Company's stock options during the three and six months ended June 30, 2019.

WARRANTS AND PERFORMANCE WARRANTS

Warrants

There were no changes in the Company's warrants during the three and six months ended June 30, 2019.

Performance warrants

Pursuant to the Rights Offering that closed on December 18, 2018, 2,166,769 performance warrants were issued to the management team and board and certain additional subscribers identified by the management team. The Company valued the warrants on the date of issuance using the *Black-Scholes Option Pricing Model* and subsequently remeasures the warrants to fair value on each reporting date thereafter. On June 30, 2019, the warrants were subsequently remeasured using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.80%; volatility 75%; dividend yield 0% and the remaining expected lives of 4.47 years, resulting in a fair value at June 30, 2019 of $522 thousand (December 31, 2018 - $380 thousand). The resultant gain on fair value adjustments of $31 thousand has been recorded in the statements of net income (loss) and comprehensive income (loss) in the three month period ended June 30, 2019.

On June 13, 2019, in conjunction with the Sweet Tree Acquisition, 1,883,333 performance warrants were granted to advisors. These warrants are exercisable for 2 years at an exercise price of $0.30 per common share, provided that, if (a) the market price equals or exceeds $1.05 at any time prior to the expiry date, and (b) at the time of exercise the common shares are: (i) listed on the facilities of a recognized stock exchange (other than the TSXV); (ii) acquired for cash; or (iii) acquired for the securities of a company listed on a recognized stock exchange (other than the TSXV), then the holders will be entitled to 1.5 common shares for each whole warrant, subject to adjustment and upon the terms and conditions set forth in the warrant certificate. The Company valued the warrants on the date of issuance using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.80%; volatility 75%; dividend yield 0% and the expected lives of 2 years. The resultant value of $294 thousand attributable to the warrants at the time of issuance was recognized as warrant liabilities and stock based compensation, as the Market Price vesting conditions with respect to the Performance Incentive have not been met. The fair value of the warrants were subsequently remeasured as at June 30, 2019 using the *Black-Scholes Option Pricing Model* and the same assumptions as noted above (due to the relatively short time frame between the date of issuance and June 30, 2019), resulting in a fair value at June 30, 2019 of $325 thousand. The resultant loss on fair value adjustments of $31 thousand has been recorded in the statements of net income (loss) and comprehensive income (loss) in the three month period ended June 30, 2019.

SUBSEQENT EVENTS

The Company received two AGLC licenses for applicable Sweet Tree locations on June 17, 2019 and July 2, 2019, and as a result, 9,500,000 common shares were issued with a fair value of $2.9 million on July 8, 2019 in partial settlement of the contingent consideration with respect to the Sweet Tree Acquisition (Note 4(b) of the interim financial statements), bringing the Company's total issued and outstanding common shares to 125,677,484 as at the reporting date of August 20, 2019.

In addition to the two AGLC licenses noted above, the Company received a further seven AGLC licenses relating to built but unopened YSS branded stores, five of which have opened and commenced operations subsequent to June 30, 2019. At the time of this MD&A, the Company has a total of ten stores open, six of which are operating under the YSS brand (Red Deer, Calgary, Stony Plain, Spruce Grove, Vermilion and Vegreville) and four operating under the Sweet Tree brand (Calgary communities of Riverbend, Forest Lawn, and Sunridge as well as one in High River) with another two locations expected to open by the end of September 2019, significantly contributing to the Company's Q3 operations.

(Expressed in thousands of Canadian dollars except for per share amounts)

CONSOLIDATED QUARTERLY INFORMATION

	Quarter ending							
	June 30 2019	March 31 2019	December 31 2018	October 31 2018	July 31 2018	April 30 2018	January 31 2018	October 31 2017
REVENUE	$ 1,393	$ 159	$ -	$ -	$ -	$ -	$ -	$ -
Cost of goods sold	(889)	(98)	-	-	-	-	-	-
GROSS MARGIN	$ 504	$ 61	$ -	$ -	$ -	$ -	$ -	$ -
EXPENSES								
Operating costs	(115)	(10)	-	-	-	-	-	-
Exploration and evaluation expenses	-	-	-	-	(11)	6	(5)	-
Property investigation costs	-	-	-	-	-	-	(16)	-
General and administrative	(840)	(520)	(358)	(694)	(127)	(13)	(10)	(22)
Depreciation on property and equipment	(9)	(3)	(1)	-	-	-	-	-
Depreciation on right-of-use assets	(19)	(2)	-	-	-	-	-	-
Amortization on intangibles	(260)	-	-	-	-	-	-	-
Stock based compensation	(293)	-	(204)	-	(13,326)	-	2	(20)
OPERATING LOSS	$ (1,032)	$ (474)	$ (563)	$ (694)	$ (13,464)	$ (7)	$ (29)	$ (42)
OTHER INCOME (EXPENSES)								
Finance costs	(142)	(109)	-	-	(1)	(2)	(2)	(1)
Write off of terminated leased assets	2	(10)	(1,360)	-	-	-	-	-
Write off of exploration and evaluation assets	-	-	-	-	(160)	-	-	-
Interest and other income	54	73	68	66	-	-	-	-
Gain (loss) on fair value adjustments	-	(173)	32	-	-	-	-	-
	$ (86)	$ (219)	$ (1,260)	$ 66	$ (161)	$ (2)	$ (2)	$ (1)
LOSS BEFORE INCOME TAXES	$ (1,118)	$ (693)	$ (1,823)	$ (628)	$ (13,625)	$ (9)	$ (31)	$ (43)
INCOME TAXES								
Deferred income tax recovery	2,133	901	-	-	-	-	-	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$ 1,015**	**$ 208**	**$ (1,823)**	**$ (628)**	**$ (13,625)**	**$ (9)**	**$ (31)**	**$ (43)**
EARNINGS (LOSS) PER SHARE - BASIC	**$ 0.01**	**$ 0.00**	**$ (0.02)**	**$ (0.01)**	**$ (0.34)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**
EARNINGS (LOSS) PER SHARE - DILUTED	**$ 0.01**	**$ 0.00**	**$ (0.02)**	**$ (0.01)**	**$ (0.34)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**
Total assets	$ 44,960	$ 33,925	$ 28,135	$ 24,575	$ 23,927	$ 182	$ 173	$ 185
Total liabilities	$ 11,490	$ 8,107	$ 2,494	$ 1,706	$ 391	$ 196	$ 177	$ 155
Total shareholders' equity (deficit)	$ 33,470	$ 25,818	$ 25,641	$ 22,869	$ 23,536	$ (14)	$ (4)	$ 30

BUSINESS OVERVIEW

Corporate Overview

YSS is a publicly traded corporation dual-listed on the Exchange under the trading symbol "YSS" and on the Frankfurt Stock Exchange ("FSE") under the trading symbols "WKN:A2PBMC" and "FSE:2LK. The Company's head office is located at Suite 1000, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9. The registered office of the Company is located at Suite 4300 Bankers Hall West, 888 – 3rd Street SW, Calgary, Alberta, T2P 5C5. The Company changed its year end to December 31 (from January 31) during the prior year.

The Shareholders of the Company approved the name change from Solo Growth Corp. to YSS Corp., and the change in trading symbol to "YSS" at the May 29, 2019 Annual General Meeting. The Shareholders also approved a share consolidation on the basis of 1 common share for 6 common shares. The share consolidation was effective June 17, 2019.

The Company has two wholly-owned subsidiaries: (i) YSS Cannabis Corp., incorporated on May 4, 2018 in Alberta; (ii) Aldershot Holdings Ltd., incorporated on October 6, 2016 in British Columbia (inactive), as well as its other controlled entities, being 2102012 Alberta Ltd. and Sweet Tree Modern Apothecary Ltd. (see *Business Combinations*).

Business Combinations

On March 20, 2019, the Company entered into and closed a definitive agreement with respect to a call right on all of the voting shares of a licensed operating retail cannabis store 2102012 Alberta Ltd. operating as Greentown in Red Deer, Alberta, (the "Red Deer store") for aggregate cash consideration of $2.8 million (the "Call Right"). Concurrent with the acquisition of the Call Right, the Company entered into a perpetual licensing agreement to rebrand and operate the store under the YSS™ banner (together with the Call Right, the "Red Deer Store Acquisition"). All required regulatory approvals, including approvals from AGLC, were obtained in advance of the closing date. The Company may exercise the Call Right in its sole and absolute discretion at any point in time for no additional consideration. See Note 4 to the interim financial statements for further information.

On June 13, 2019, the Company entered into and closed a definitive agreement with respect to a call right on all of the voting shares of a licensed retail cannabis operation, Sweet Tree Modern Apothecary Ltd., operating as Sweet Tree Cannabis Co in Calgary, Alberta, (the "Sweet Tree stores") for aggregate consideration of $8.2 million (the "Call Right"). Concurrent with the acquisition of the Call Right, the Company entered into a perpetual licensing agreement to operate the stores under the YSS™ or Sweet Tree™ banners (together with the Call Right, the "Sweet Tree Acquisition"). All required regulatory approvals, including approvals from AGLC, were obtained in advance of the closing date. The Company may exercise the Call Right in its sole and absolute discretion at any point in time for no additional consideration. See Note 4 to the interim financial statements for further information.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Significant accounting judgements, estimates and assumptions

The preparation of the condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing the condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied as described in Note 2(d) of the Company's annual financial statements as at and for the eleven month period ended December 31, 2018. There have been no changes or new estimates and judgements made in the current period, with the exception of the new significant judgements and estimates described below:

a) Leases

   The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

b) Business combinations

The Company applies judgement when evaluating whether the Company controls an entity and meets the criteria as a subsidiary of the Company for the purposes of consolidation. Control is established when the Company is exposed, or has the rights, to variable returns from its involvement with an investee. The Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed at fair value, and estimates are used to calculate and measure such amounts.

In measuring the fair value of the acquiree's assets and liabilities, management uses estimates about future cash flows and discount rates.

Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the condensed interim consolidated financial statements are the same as described in the Company's annual consolidated financial statements as at and for the eleven month period ended December 31, 2018. There have been no changes to those policies except for the policies described below:

a) Business combinations and goodwill

i) Acquisitions

Acquisitions of businesses and subsidiaries that meet the definition of a business are accounted for using the acquisition method. The consideration of an acquisition is measured as the fair value of the identifiable assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. Acquisition-related costs are recognized into net income (loss) as incurred, other than those associated with the issue of debt or equity securities. Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable net assets acquired.

ii) Goodwill

Goodwill is not amortized but is assessed for impairment at least annually or when events and circumstances indicate that the carrying value may not be recoverable as described in the "Impairment of non-financial assets" policy.

b) IFRS 16 Leases – New accounting pronouncement adopted in 2019

Effective January 1, 2019, the Company adopted IFRS 16, "Leases", which supersedes previous standards for leases (IAS 17, "Leases" and IFRIC 4, "Determining whether an Arrangement contains a Lease"). IFRS 16 introduces a financial position recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The adoption of IFRS 16 has resulted in changes in assets and liabilities due to the recognition of right-of-use assets and associated lease liabilities, as well as a decrease to operating expenses (for the removal of base rent for leases), an increase to depreciation (due to the depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liabilities).
The Company adopted IFRS 16 using the modified retrospective method and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Accounting policy

The Company's leasing activities consist primarily of retail store leases. Lease contracts are negotiated on an individual basis and contain a wide range of contract terms and conditions, with typical lease terms for a fixed period of 10 years with varying extension options.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

i) The contract involves the use of an identified asset;
ii) The Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
iii) The Company has the right to direct the use of the asset.

Lessee accounting:

Effective January 1, 2019, leases are recognized as right-of-use assets with corresponding lease liabilities at the date at which the leased assets are available for use. Lease payments are allocated between the lease liabilities and finance costs. The finance costs are charged to net income (loss) and comprehensive income (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities for each period. The right-of-use assets are depreciated over the shorter of the asset's useful lives and the lease term on a straight-line basis.

Lease payments included in the measurement of the lease liabilities include the net present value of the following:

i) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
ii) Variable lease payments that are based on an index or a rate;
iii) Amounts expected to be payable by the lessee under residual value guarantee;
iv) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the lessee would have to pay to borrow at prevailing interest rates, market precedents and the Company's specific credit spread, on similar terms and security.

(Expressed in thousands of Canadian dollars except for per share amounts)

Right-of-use assets are initially measured at cost, which is comprised of the following:

i) The amount of the initial measurement of the lease liability;
ii) Any lease payments made at or before the commencement date less any lease incentives received;
iii) Any initial direct costs; and
iv) Restoration costs.

The right-of-use assets are typically depreciated on a straight-line basis over the term of lease, unless the Company expects to obtain ownership of the leased asset at the end of the lease.

The lease term consists of:

i) The non-cancellable period of the lease;
ii) Periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
iii) Periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

If the Company expects to obtain ownership of the leased asset at the end of the lease, the right-of-use assets are depreciated over the underlying asset's estimated useful life. The right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

<u>Adjustments recognized on adoption of IFRS 16</u>

On adoption of IFRS 16, the Company recognized lease assets and liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as of January 1, 2019. The incremental borrowing rates applied to the lease liabilities on January 1, 2019 was 7.95%, based on the relevant facts and circumstances, geographical location, and lease term duration of the leased property. The associated right-of-use assets were measured as if the standard has been applied since the commencement date, discounted using the incremental borrowing rates as of January 1, 2019.

A reconciliation of lease commitments as at January 1, 2019, outlining the effect of the transition to IFRS 16 is outlined below:

	January 1, 2019
	$
Operating lease commitments disclosed as at December 31, 2018	19,008
Leases commencing after the period end	(8,799)
Incremental borrowing rate at January 1, 2019	7.95%
Discounted using the incremental borrowing rate at the date of initial application being lease liabilities recognized as at January 1, 2019	**5,267**
Represented by:	
Current portion of lease liabilities	291
Lease liabilities	4,976
	5,267

(Expressed in thousands of Canadian dollars except for per share amounts)

A reconciliation of the effect of transition to IFRS 16 on select accounts on the Company's condensed Interim Consolidated Statements of Financial Position as at January 1, 2019 is outlined below:

Selected Accounts	**As originally reported as at December 31, 2018**	**IFRS 16 adjustments**	**January 1, 2019**
	$	**$**	**$**
Assets			
Right-of-use assets	-	5,267	5,267
Total assets	**28,135**	**5,267**	**33,402**
Liabilities and shareholders' equity			
Current portion of lease liabilities	-	291	291
Lease liabilities	-	4,976	4,976
Total liabilities	**2,494**	**5,267**	**7,761**
Total liabilities and shareholders equity	**28,135**	**5,267**	**33,402**

Below is a summary of the activity related to the right-of-use assets for the three and six month periods ended June 30, 2019:

	Three months ended June 30, 2019	**Six months ended June 30, 2019**
		$
Right-of-use assets, beginning of period	6,151	5,267
Net additions	60	881
Business combination	2,869	3,069
Depreciation on right-of-use assets	(210)	(347)
Right-of-use assets, end of period	**8,870**	**8,870**

The Company has included $191 thousand of the $210 thousand and $326 thousand of the $347 thousand of depreciation on right-of-use assets as additions to property and equipment for the three and six months ended June 30, 2019, respectively, as the related assets are not considered 'in-use' during the period.

(Expressed in thousands of Canadian dollars except for per share amounts)

Below is a summary of the activity related to the lease liabilities for the three and six month periods ended June 30, 2019:

	Three months ended June 30, 2019	**Six months ended June 30, 2019**
	$	**$**
Lease liabilities, beginning of period	6,238	5,267
Net additions	60	881
Business combination	2,869	3,069
Accretion of lease liabilities	142	251
Lease payments	(274)	(433)
Lease liabilities, end of period	**9,035**	**9,035**

Represented by:	
Current portion of lease liabilities	842
Lease liabilities	8,193
	9,035

Practical expedients applied

The Company has taken the following elections on practical expedients on adoption of IFRS 16:

i) the Company has elected to use a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
ii) the Company has elected to exclude initial direct costs incurred in obtaining leases in the measurement of the right-of-use asset on transition;
iii) the Company has elected to use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease;
iv) the Company has elected not to account for leases for which the lease term ends within 12 months of January 1, 2019 as short-term leases or leases that meet the low-value exemption.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4.

RISK FACTORS

There are no updates to the Company's Risk Factors. For further discussion, refer to the Company's Annual Information Form dated April 29, 2019 and the annual MD&A.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable Canadian securities legislation. All statements and information, other than statements of historical fact contained in this MD&A, are forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, without limitation: the Company's future financial position, capital and liquidity; business strategy, including organic growth and strategic activities; the execution and impact of the strategic plan on the Company's business; the future performance of the operating retail cannabis stores in Alberta and revenue generated therefrom; the ability to build, own and operate retail cannabis stores; the receipt of necessary permits and licenses to open stores; the ability to capitalize on potential opportunities that may arise and the ability to exercise thereon; results of operations and financial condition; recreational retail cannabis strategy; budgets; government regulation and laws; projected costs; the opening of new YSS cannabis retail stores and timing thereof; being well funded for the forecasted planned capital and initial inventory expenditures as YSS opens new cannabis retail stores; and expectations of having a substantial revenue stream that will fund the Company's forecasted operations well past 2021. Shareholders and prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words and the negative thereof.

Forward-looking statements reflect the Company's current plans, intentions and expectations, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's plans, intentions and expectations are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. There is no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this MD&A and in the MD&A and AIF for the period ended December 31, 2018. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct and such forward-looking statements included in this MD&A and in the MD&A and AIF for the period ended December 31, 2018 should not be unduly relied upon.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to: risks relating to government regulation and laws and changes thereto (including with respect to cannabis); permits, licenses and regulatory and third party approvals not being obtained in the manner or timing anticipated by the Company; competition; the state of the economy including general economic conditions in Canada (including Alberta and Ontario) and the U.S.; the unpredictability and volatility of the price of the Common Shares; restrictions on potential growth; availability of sufficient financial resources to fund the Company's capital expenditures; changes in tax rates and government mark-ups; risks relating to future acquisitions, construction and development of new stores; the ability of management to execute its strategic plan; the Company's ability to locate and secure acceptable store sites and to adapt to changing market conditions; dependence on key personnel; labour costs, shortages and labour relations including the Company's ability to hire and retain staff at current wage levels and the risk of possible future unionization; the availability of cannabis-retail products from licensed producers; supply interruption or delays; dependence on suppliers; reliance on information and control systems; income tax changes; credit risks arising from operations; dilution and future sales of Common Shares; and the potential lack of an active trading market for the Common Shares. The information contained in this MD&A and as disclosed in other filings made by the Company with Canadian securities regulatory authorities and available on SEDAR at www.sedar.com, identifies additional factors that could affect the operating results and performance of the Company. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities legislation.

Additional disclosures pertaining to YSS including material change reports, press releases and other information are available at www.sedar.com.

YSS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2019 and July 31, 2018

Expressed in Thousands of Canadian Dollars

YSS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of Canadian dollars - unaudited)

	Notes	June 30, 2019	December 31, 2018
ASSETS		**$**	**$**
Current assets			
Cash		12,266	14,689
Restricted cash		-	4,936
Receivables		114	313
Inventories		798	220
Prepaid expenses and lease deposits		377	654
Total current assets		13,555	20,812
Non-current assets			
Long-term lease deposits		250	111
Property and equipment	5	5,579	2,967
Right-of-use assets	3(b)	8,870	-
Intangible assets	6	16,706	4,245
Total non-current assets		31,405	7,323
TOTAL ASSETS		**44,960**	**28,135**
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables		1,608	2,114
Current portion of lease liabilities	3(b)	842	-
Total current liabilities		2,450	2,114
Warrant liabilities	8	847	380
Lease liabilities	3(b)	8,193	-
Total liabilities		11,490	2,494
EQUITY			
Equity attributable to the owners of the Company			
Share capital		50,867	44,261
Warrant reserve		17,029	17,029
Share-based payment reserve		7,839	7,839
Accumulated deficit		(42,265)	(43,488)
Total shareholders' equity		33,470	25,641
TOTAL LIABILITIES AND EQUITY		**44,960**	**28,135**

See accompanying notes to the condensed interim consolidated financial statements

Nature of operations (Note 1) and Subsequent events (Notes 4(b) and 13)

On behalf of the Board:

"James Miller"	*"Theo Zunich"*
James Miller, Director	Theo Zunich, President, CEO & Director

YSS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Expressed in thousands of Canadian dollars, except for per share amounts - unaudited)

	Notes	Three months ended June 30, 2019	Three months ended July 31, 2018	Six months ended June 30, 2019	Six months ended July 31, 2018
		$	$	$	$
REVENUE		1,393	-	1,552	-
Cost of goods sold		(889)	-	(987)	-
GROSS MARGIN		504	-	565	-
EXPENSES					
Operating costs		(115)	-	(125)	-
Exploration and evaluation expenses		-	(11)	-	(5)
General and administrative		(840)	(127)	(1,360)	(140)
Depreciation on property and equipment	5	(9)	-	(12)	-
Depreciation on right-of-use assets	3(b)	(19)	-	(21)	-
Amortization on intangibles	6	(260)	-	(260)	-
Stock based compensation	8	(293)	(13,326)	(293)	(13,326)
OPERATING LOSS		(1,032)	(13,464)	(1,506)	(13,471)
OTHER INCOME (EXPENSES)					
Finance costs	9	(142)	(1)	(251)	(3)
Terminated leased asset costs		2	-	(8)	-
Write off of exploration and evaluation assets		-	(160)	-	(160)
Interest and other income		54	-	127	-
Loss on fair value adjustments	8	-	-	(173)	-
		(86)	(161)	(305)	(163)
LOSS BEFORE INCOME TAXES		(1,118)	(13,625)	(1,811)	(13,634)
INCOME TAXES					
Deferred income tax recovery	4	2,133	-	3,034	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		1,015	(13,625)	1,223	(13,634)
EARNINGS (LOSS) PER SHARE - BASIC	10	$ 0.01	$ (0.34)	$ 0.01	$ (0.55)
EARNINGS (LOSS) PER SHARE - DILUTED	10	$ 0.01	$ (0.34)	$ 0.01	$ (0.55)

See accompanying notes to the condensed interim consolidated financial statements

YSS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of Canadian dollars, except for share amounts - unaudited)

		Attributable to the Owners of the Company					
		Share Capital		Warrant Reserve	Share Based Payment Reserve	Accumulated Deficit	Equity (Deficit)
	Note	Number of Shares	$	$	$	$	$
Balance, January 31, 2018		8,949,633	15,453	431	7,962	(23,851)	(5)
Shares issued for:							
Stock options		558,333	290	-	(123)	-	167
Private placement		85,333,233	25,600	16,670	-	(3,343)	38,927
Share issue costs		-	(1,919)	-	-	-	(1,919)
Net loss		-	-	-	-	(13,634)	(13,634)
Balance, July 31, 2018		94,841,199	39,424	17,101	7,839	(40,828)	23,536
Balance, December 31, 2018		111,677,484	44,261	17,029	7,839	(43,488)	25,641
Shares issued for:							
Business acquisition	4(b)	4,500,000	1,350	-	-	-	1,350
Shares to be issued as payment on business acquisition	4(b)	-	5,400	-	-	-	5,400
Share issue costs	7	-	(144)	-	-	-	(144)
Net income		-	-	-	-	1,223	1,223
Balance, June 30, 2019		116,177,484	50,867	17,029	7,839	(42,265)	33,470

The Number of Shares noted above have been adjusted to reflect the share consolidation on the basis of 1 common share for 6 common shares described in Note 1 to the condensed interim consolidated financial statements.

See accompanying notes to the condensed interim consolidated financial statements

YSS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of Canadian dollars - unaudited)

	Note	Three months ended June 30, 2019	Three months ended July 31, 2018	Six months ended June 30, 2019	Six months ended July 31, 2018
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss) for the period		1,015	(13,625)	1,223	(13,634)
Adjustments to net income (loss) for:					
Non-cash finance costs		-	1	-	3
Depreciation on property and equipment		9	-	12	-
Depreciation on right-of-use assets		19	-	21	-
Amortization on intangibles		260	-	260	-
Stock based compensation		293	13,326	293	13,326
Write off of exploration and evaluation assets		-	160	-	160
Loss on fair value adjustments		-	-	173	-
Deferred income tax recovery	4	(2,133)	-	(3,034)	-
Net changes in non-cash working capital items	11	60	(210)	65	(220)
Net cash flows used in operating activities		(477)	(348)	(987)	(365)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property and equipment	5	(344)	(80)	(1,195)	(80)
Cash paid on business acquisitions (net)	4	(1,392)	-	(3,898)	-
Net changes in non-cash working capital items	11	(220)	28	(887)	28
Net cash flows used in investing activities		(1,956)	(52)	(5,980)	(52)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal portion of lease payments	3(b)	(132)	-	(182)	-
Increase in loans payable		-	15	-	35
Repayment of loans payable		-	(145)	-	(145)
Cash from stock option exercise		-	167	-	167
Cash from private placement		-	25,600	-	25,600
Share issue costs	7	(113)	(1,919)	(144)	(1,919)
Net changes in non-cash working capital items	11	86	189	(66)	189
Net cash flows from (used in) financing activities		(159)	23,907	(392)	23,927
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,592)	23,507	(7,359)	23,510
CASH AND CASH EQUIVALENTS, BEGINNING		14,858	15	19,625	12
CASH AND CASH EQUIVALENTS, ENDING		**12,266**	**23,522**	**12,266**	**23,522**

See accompanying notes to the condensed interim consolidated financial statements

1. NATURE OF OPERATIONS

The full name of the Company is YSS Corp., (the "Company"). The Company's head office is located at Suite 1000, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9. The registered office of the Company is located at Suite 4300 Bankers Hall West, 888 – 3rd Street SW, Calgary, Alberta, T2P 5C5. The Company is a reporting issuer in British Columbia and Alberta.

These condensed interim consolidated financial statements include the results of the Company, its 100% owned subsidiaries YSS Cannabis Corp. and Aldershot Holdings Ltd. and its other controlled entities, being 2102012 Alberta Ltd. and Sweet Tree Modern Apothecary Ltd. (Note 4).

The Company was incorporated under the British Columbia Business Corporations Act ("BCBCA") on September 8, 1987 as "Quattro Resources Ltd.". The Company changed its name to "Aldershot Resources Ltd." on July 31, 2001. Until June 2018, the Company's principle business operations were in the acquisition and exploration of mining properties. In June 2018, the Company and Transition Metal Corp. entered into an agreement to terminate the Option Agreement and the Company no longer had any rights with respect to the gold discovery project.

On June 28, 2018, the former Management and Board of Directors of YSS Corp. resigned concurrent with the closing of a Private Placement for gross proceeds of $25.6 million. At that time, a new management team and Board of Directors was appointed in order to change the business from that of acquisition and exploration of mining properties to that of retail operations, focusing on the adult-use cannabis market concurrent with the enactment of Bill C-45, the Cannabis Act, which received Royal Assent on June 7, 2018 and came into force on October 17, 2018.

The Shareholders of the Company approved the name change from Aldershot Resources Ltd. to Solo Growth Corp., the continuance of the Company under the Alberta Business Corporation Act, the change in trading symbol to "SOLO" and a change in year end to December 31 (from January 31) at the September 5, 2018 Annual General Meeting.

The Company received final approval for the Change of Business from the Toronto Stock Exchange – Venture on January 3, 2019, changed its name to "Solo Growth Corp." on January 4, 2019 and was continued under the Alberta Business Corporation Act ("ABCA"). The common shares were listed on the TSX-V Exchange (the "Exchange") under the trading symbol "SOLO".

On April 11, 2019, the Company's common shares were also listed on the Frankfurt Stock Exchange ("FSE") under the trading symbols "WKN:A2PBMC" and "FSE:2LK", resulting in the Company's common shares being cross- listed on both the Exchange and the FSE.

The Shareholders of the Company approved the name change from Solo Growth Corp. to YSS Corp., and the change in trading symbol to "YSS" at the May 29, 2019 Annual General Meeting. The common shares are listed on the Exchange under the trading symbol "YSS". The Shareholders also approved a share consolidation on the basis of 1 common share for 6 common shares. The share consolidation was effective June 17, 2019. All references to number of shares issued and outstanding, warrants issued and outstanding and earnings per share amounts in these condensed interim consolidated financial statements, including comparative figures, have been adjusted to reflect the consolidation on a 1 for 6 basis.

2. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim consolidated financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements comply with International Accounting Standard ("IAS") 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required of a complete set of financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed interim consolidated financial statements be read in conjunction with the annual consolidated financial statements of the Company as at and for the eleven month period ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB.

In 2018, the Company changed its year end to December 31, from January 31, and as such the periods in these condensed interim consolidated financial statements are shown in a more detailed manner to document the equivalent periods for comparative purposes.

The condensed interim consolidated financial statements were authorized for issue on August 20, 2019 by the Board of Directors of the Company.

b) Basis of measurement

The condensed interim consolidated financial statements, presented in thousands of Canadian dollars ("CAD") unless otherwise indicated, have been prepared on an accrual basis and are based on historical costs, modified where applicable.

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Company obtains control and continue to be consolidated until the date that such control ceases to exist.

The Company's subsidiaries include its cannabis retail operating companies and its inactive holding companies. The financial statements of the subsidiaries are prepared under the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

d) Significant accounting judgements, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied as described in Note 2(d) of the Company's annual financial statements as at and for the eleven month period ended December 31, 2018. There have been no changes or new estimates and judgements made in the current period, with the exception of the new significant judgements and estimates described below:

i) Leases (Note 3 (b))

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

ii) Business combinations (Note 4)

The Company applies judgement when evaluating whether the Company controls an entity and meets the criteria as a subsidiary of the Company for the purposes of consolidation. Control is established when the Company is exposed, or has the rights, to variable returns from its involvement with an investee. The Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed at fair value, and estimates are used to calculate and measure such amounts.

In measuring the fair value of the acquiree's assets and liabilities, management uses estimates about future cash flows and discount rates.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these condensed interim consolidated financial statements are the same as described in the Company's annual consolidated financial statements as at and for the eleven month period ended December 31, 2018. There have been no changes to those policies except for the policies described below:

a) Business combinations and goodwill

i) Acquisitions

Acquisitions of businesses and subsidiaries that meet the definition of a business are accounted for using the acquisition method. The consideration of an acquisition is measured as the fair value of the identifiable assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. Acquisition-related costs are recognized into net income (loss) as incurred, other than those associated with the issue of debt or equity securities. Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable net assets acquired.

ii) Goodwill

Goodwill is not amortized but is assessed for impairment at least annually or when events and circumstances indicate that the carrying value may not be recoverable as described in the "Impairment of non-financial assets" policy.

b) IFRS 16 Leases – New accounting pronouncement adopted in 2019

Effective January 1, 2019, the Company adopted IFRS 16, "Leases", which supersedes previous standards for leases (IAS 17, "Leases" and IFRIC 4, "Determining whether an Arrangement contains a Lease"). IFRS 16 introduces a financial position recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The adoption of IFRS 16 has resulted in changes in assets and liabilities due to the recognition of right-of-use assets and associated lease liabilities, as well as a decrease to operating expenses (for the removal of base rent for leases), an increase to depreciation (due to the depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liabilities).

The Company adopted IFRS 16 using the modified retrospective method and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Accounting policy

The Company's leasing activities consist primarily of retail store leases. Lease contracts are negotiated on an individual basis and contain a wide range of contract terms and conditions, with typical lease terms for a fixed period of 10 years with varying extension options.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

i) The contract involves the use of an identified asset;
ii) The Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
iii) The Company has the right to direct the use of the asset.

Lessee accounting:

Effective January 1, 2019, leases are recognized as right-of-use assets with corresponding lease liabilities at the date at which the leased assets are available for use. Lease payments are allocated between the lease liabilities and finance costs. The finance costs are charged to net income (loss) and comprehensive income (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities for each period. The right-of-use assets are depreciated over the shorter of the asset's useful lives and the lease term on a straight-line basis.

Lease payments included in the measurement of the lease liabilities include the net present value of the following:

i) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
ii) Variable lease payments that are based on an index or a rate;
iii) Amounts expected to be payable by the lessee under residual value guarantee;
iv) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the lessee would have to pay to borrow at prevailing interest rates, market precedents and the Company's specific credit spread, on similar terms and security.

Right-of-use assets are initially measured at cost, which is comprised of the following:

i) The amount of the initial measurement of the lease liability;
ii) Any lease payments made at or before the commencement date less any lease incentives received;
iii) Any initial direct costs; and
iv) Restoration costs.

The right-of-use assets are typically depreciated on a straight-line basis over the term of lease, unless the Company expects to obtain ownership of the leased asset at the end of the lease.

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

The lease term consists of:

i) The non-cancellable period of the lease;
ii) Periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
iii) Periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

If the Company expects to obtain ownership of the leased asset at the end of the lease, the right-of-use assets are depreciated over the underlying asset's estimated useful life. The right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease assets and liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as of January 1, 2019. The incremental borrowing rates applied to the lease liabilities on January 1, 2019 was 7.95%, based on the relevant facts and circumstances, geographical location, and lease term duration of the leased property. The associated right-of-use assets were measured as if the standard has been applied since the commencement date, discounted using the incremental borrowing rates as of January 1, 2019.

A reconciliation of lease commitments as at January 1, 2019, outlining the effect of the transition to IFRS 16 is outlined below:

	January 1, 2019
	$
Operating lease commitments disclosed as at December 31, 2018	19,008
Leases commencing after the period end	(8,799)
Incremental borrowing rate at January 1, 2019	7.95%
Discounted using the incremental borrowing rate at the date of initial application being lease liabilities recognized as at January 1, 2019	**5,267**
Represented by:	
Current portion of lease liabilities	291
Lease liabilities	4,976
	5,267

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

A reconciliation of the effect of transition to IFRS 16 on select accounts on the Company's condensed Interim Consolidated Statements of Financial Position as at January 1, 2019 is outlined below:

Selected Accounts	As originally reported as at December 31, 2018	IFRS 16 adjustments	January 1, 2019
	$	$	$
Assets			
Right-of-use assets	-	5,267	5,267
Total assets	**28,135**	**5,267**	**33,402**
Liabilities and shareholders' equity			
Current portion of lease liabilities	-	291	291
Lease liabilities	-	4,976	4,976
Total liabilities	**2,494**	**5,267**	**7,761**
Total liabilities and shareholders equity	**28,135**	**5,267**	**33,402**

Below is a summary of the activity related to the right-of-use assets for the three and six month periods ended June 30, 2019:

	Three months ended June 30, 2019	Six months ended June 30, 2019
		$
Right-of-use assets, beginning of period	6,151	5,267
Net additions	60	881
Business combination	2,869	3,069
Depreciation on right-of-use assets	(210)	(347)
Right-of-use assets, end of period	**8,870**	**8,870**

The Company has included $191 thousand of the $210 thousand and $326 thousand of the $347 thousand of depreciation on right-of-use assets as additions to property and equipment for the three and six months ended June 30, 2019, respectively, as the related assets are not considered 'in-use' during the period.

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

Below is a summary of the activity related to the lease liabilities for the three and six month periods ended June 30, 2019:

	Three months ended June 30, 2019	**Six months ended June 30, 2019**
	$	**$**
Lease liabilities, beginning of period	6,238	5,267
Net additions	60	881
Business combination	2,869	3,069
Accretion of lease liabilities	142	251
Lease payments	(274)	(433)
Lease liabilities, end of period	**9,035**	**9,035**

Represented by:	
Current portion of lease liabilities	842
Lease liabilities	8,193
	9,035

Practical expedients applied

The Company has taken the following elections on practical expedients on adoption of IFRS 16:

i) the Company has elected to use a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
ii) the Company has elected to exclude initial direct costs incurred in obtaining leases in the measurement of the right-of-use asset on transition;
iii) the Company has elected to use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease;
iv) the Company has elected not to account for leases for which the lease term ends within 12 months of January 1, 2019 as short-term leases or leases that meet the low-value exemption.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4.

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

4. BUSINESS COMBINATIONS

a) On March 20, 2019, the Company entered into and closed a definitive agreement with respect to a call right on all of the voting shares of a licensed operating retail cannabis store 2102012 Alberta Ltd. operating as Greentown in Red Deer, Alberta, (the "Red Deer store") for aggregate cash consideration of $2.8 million (the "Call Right"). Concurrent with the acquisition of the Call Right, the Company entered into a perpetual licensing agreement to rebrand and operate the store under the YSS™ banner (together with the Call Right, the "Red Deer Store Acquisition"). All required regulatory approvals, including approvals from the Alberta Gaming, Liquor and Cannabis Commission ("AGLC"), were obtained in advance of the closing date. The Company may exercise the Call Right in its sole and absolute discretion at any point in time for no additional consideration.

The following table summarizes the purchase consideration and estimated provisional purchase price allocation for the acquisition, subject to finalization of the valuation of the fair value of the acquired assets and liabilities at the date of acquisition:

Balance at acquisition date	**March 20, 2019**
	$
Total cash consideration	**2,817**

Assets and liabilities acquired	**March 20, 2019**
	$
Cash	311
Prepaid expenses and lease deposits	3
Inventories	103
Receivables	6
Long-term lease deposits	8
Property and equipment (Note 5)	113
Right-of-use assets (Note 3(b))	200
Intangible assets (Note 6)	3,387
Trade and other payables	(213)
Current portion of lease liabilities	(41)
Lease liabilities	(159)
Deferred income tax liability	(901)
Total assets and liabilities assumed	**2,817**

The acquisition has been accounted for using the acquisition method and the results of operations from the acquisition have been included in the Company's financial statements since the acquisition date. Had the Red Deer store been acquired at the beginning of the period, the Company's revenue would have increased by $925 thousand and the net income and comprehensive income would have increased by $170 thousand for the six month period ended June 30, 2019. The Company incurred costs related to the acquisition of $178 thousand relating to due diligence and external legal fees. These costs have been included as professional fees in general and administrative expenses in the condensed interim consolidated statements of net income (loss) and comprehensive income (loss).

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

Concurrent with the recognition of the deferred income tax liability on acquisition, the Company recognized a deferred income tax asset of $901 thousand as the Company had approximately $9.8 million of non-capital losses as at December 31, 2018 for which no deferred income tax asset had previously been recognized. The result of the recognition of the deferred income tax asset is a deferred income tax recovery credited to net income during the period.

b) On June 13, 2019, the Company entered into and closed a definitive agreement with respect to a call right on all of the voting shares of a licensed retail cannabis operation, Sweet Tree Modern Apothecary Ltd., operating as Sweet Tree Cannabis Co in Calgary, Alberta, (the "Sweet Tree stores") for aggregate consideration of $8.2 million (the "Call Right"). Concurrent with the acquisition of the Call Right, the Company entered into a perpetual licensing agreement to operate the stores under the YSS™ or Sweet Tree™ banners (together with the Call Right, the "Sweet Tree Acquisition"). All required regulatory approvals, including approvals from AGLC, were obtained in advance of the closing date. The Company may exercise the Call Right in its sole and absolute discretion at any point in time for no additional consideration.

The following table summarizes the purchase consideration and estimated provisional purchase price allocation for the acquisition, subject to finalization of the valuation of the fair value of the acquired assets and liabilities at the date of acquisition:

Balance at acquisition date	**June 13, 2019**
	$
Cash	1,426
4,500,000 common shares issued[1]	1,350
18,000,000 common shares issuable[2]	5,400
Total consideration	**8,176**

Assets and liabilities acquired	**June 13, 2019**
	$
Cash	34
Prepaid expenses and lease deposits	114
Inventories	442
Receivables	47
Long-term lease deposits	59
Property and equipment (Note 5)	990
Right-of-use assets (Note 3(b))	2,869
Intangible assets (Note 6)	9,334
Trade and other payables	(211)
Loan payable[3]	(500)
Current portion of lease liabilities	(264)
Lease liabilities	(2,605)
Deferred income tax liability	(2,133)
Total assets and liabilities assumed	**8,176**

[1]The 4,500,000 common shares had a market value of $1.35 million, being the trading value of the shares on a publicly traded market on acquisition date, and were issued on June 13, 2019 (Note 7).

[2]The 18,000,000 common shares had a market value of $5.4 million, being the trading value of the shares on a publicly traded market on acquisition date, and are issuable in five fixed tranches within 10 days of the AGLC license being issued for three specific locations, and within the earlier of (i) 10 days of the AGLC license being issued for two specific locations and (ii) the two year anniversary date of the closing of the Sweet Tree Acquisition. Since closing on June 13, 2019, AGLC licenses have been received for two of the five locations and a total of 9,500,000 of the 18,000,000 common shares were subsequently issued on July 8, 2019 (Note 13).

[3]The loan payable was non-interest bearing and was due on June 30, 2019, however the Company repaid the loan in full upon closing of the transaction.

The acquisition has been accounted for using the acquisition method and the results of operations from the acquisition have been included in the Company's financial statements since the acquisition date. Had the Sweet Tree stores been acquired at the beginning of the period, the Company's revenue would have increased by $1.1 million and $2.3 million for the three and six months ended June 30, 2019, respectively, and the net income and comprehensive income would have increased by $215 thousand and $398 thousand for the three and six month ended June 30, 2019, respectively. The Company incurred share issue costs of $113 thousand related to shares issued as a result of the acquisition which have been included in share capital (Note 7).

Concurrent with the recognition of the deferred income tax liability on acquisition, the Company recognized a deferred income tax asset of $2.1 million as the Company had approximately $9.8 million of non-capital losses as at December 31, 2018 for which not all of the deferred income tax asset had previously been recognized. The result of the recognition of the deferred income tax asset is a deferred income tax recovery credited to net income during the period.

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

5. PROPERTY AND EQUIPMENT

	Computer Equipment	Leasehold Improvements	Leasehold Improvements Under Construction	Total
	$	$	$	$
Cost				
Balance, January 31, 2018	-	-	-	-
Additions	-	-	80	80
Balance, July 31, 2018	**-**		**80**	**80**
Balance, December 31, 2018	**108**	**-**	**2,860**	**2,968**
Additions	131	-	1,390	1,521
Additions from business combinations (Note 4)	128	923	52	1,103
Balance, June 30, 2019	**367**	**923**	**4,302**	**5,592**
Accumulated Depreciation				
Balance, January 31, 2018 and July 31, 2018	**-**	**-**	**-**	**-**
Balance, December 31, 2018	**1**	**-**	**-**	**1**
Depreciation	7	5	-	12
Balance, June 30, 2019	**8**	**5**	**-**	**13**
Net Book Value				
December 31, 2018	**107**	**-**	**2,860**	**2,967**
June 30, 2019	**359**	**918**	**4,302**	**5,579**

Concurrent with the change of business of the Company to a cannabis retailer during 2018, the Company began securing leases, applying for development permits and AGLC licenses and commenced construction on certain retail stores. These costs of $4.3 million are classified as leasehold improvements under construction and are considered work in progress at June 30, 2019 as the associated retail stores were not licensed and are therefore not considered "in use" as at the financial statement date. Once construction is complete, inspected and licensed, the retail stores are considered "in use" and the applicable costs will be transferred to leasehold improvements and depreciated in accordance with the Company's accounting policy. Of the $367 thousand computer equipment, $141 thousand is considered "in use" during the period which has been depreciated in accordance with the Company's accounting policy.

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

6. INTANGIBLE ASSETS

	Retail branding	Website development	Acquired Leases	Licenses	Total
	$	$	$	$	$
Cost					
Balance, January 31, 2018 and July 31, 2018	-	-	-	-	-
Balance, December 31, 2018	**207**	**38**	**4,000**	**-**	**4,245**
Additions from business combinations (Note 4)	-	-	-	12,721	12,721
Balance, June 30, 2019	**207**	**38**	**4,000**	**12,721**	**16,966**
Accumulated Amortization					
Balance, January 31, 2018 and July 31, 2018	-	-	-	-	-
Balance, December 31, 2018	**-**	**-**	**-**	**-**	**-**
Amortization	-	-	-	260	260
Balance, June 30, 2019	**-**	**-**	**-**	**260**	**260**
Net Book Value					
December 31, 2018	**207**	**38**	**4,000**	**-**	**4,245**
June 30, 2019	**207**	**38**	**4,000**	**12,461**	**16,706**

The Company acquired licenses valued at $12.7 million as part of the Red Deer Store and Sweet Tree Acquisitions (Note 4). The licenses, which have finite useful lives, are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the term of the leases.

Amortization on the Company's other definite life intangibles, being website development and acquired leases, will commence once the assets are considered "in use", in accordance with the Company's accounting policy.

7. SHARE CAPITAL

Authorized
An unlimited number of common shares.

Issued and outstanding
As at June 30, 2019 there were 116,177,484 issued and fully paid common shares outstanding (December 31, 2018 – 111,677,484) after giving effect to a share consolidation on the basis of 1 common share for every 6 common shares previously held (Note 1).

Changes during the three and six months ended June 30, 2019
In addition to the share consolidation described above and in Note 1, the Company issued 4,500,000 shares with respect to the Sweet Tree Acquisition (Note 4) on June 13, 2019 and incurred related share issue costs of $113 thousand. The Company incurred additional share issue costs of $31 thousand in conjunction with the change of business filing that was finalized on January 4, 2019. There were no other share capital transactions during the three and six months ended June 30, 2019. Subsequent to quarter end, there were an additional 9,500,000 shares issued with respect to the Sweet Tree Acquisition (Notes 4(b) and 13).

Stock options
There were no changes in the Company's stock options during the three and six months ended June 30, 2019.

8. WARRANTS AND PERFORMANCE WARRANTS

Warrants
There were no changes in the Company's warrants during the three and six months ended June 30, 2019.

Performance warrants
Pursuant to the Rights Offering that closed on December 18, 2018, 2,166,769 performance warrants were issued to the management team and board and certain additional subscribers identified by the management team. The Company valued the warrants on the date of issuance using the *Black-Scholes Option Pricing Model* and subsequently remeasures the warrants to fair value on each reporting date thereafter. On June 30, 2019, the warrants were subsequently remeasured using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.80%; volatility 75%; dividend yield 0% and the remaining expected lives of 4.47 years, resulting in a fair value at June 30, 2019 of $522 thousand (December 31, 2018 - $380 thousand). The resultant gain on fair value adjustments of $31 thousand has been recorded in the statements of net income (loss) and comprehensive income (loss) in the three month period ended June 30, 2019.

On June 13, 2019, in conjunction with the Sweet Tree Acquisition (Note 4(b)), 1,883,333 performance warrants were granted to advisors. These warrants are exercisable for 2 years at an exercise price of $0.30 per common share, provided that, if (a) the market price equals or exceeds $1.05 at any time prior to the expiry date, and (b) at the time of exercise the common shares are: (i) listed on the facilities of a recognized stock exchange (other than the TSXV); (ii) acquired for cash; or (iii) acquired for the securities of a company listed on a recognized stock exchange (other than the TSXV), then the holders will be entitled to 1.5 common shares for each whole warrant, subject to adjustment and upon the terms and conditions set forth in the warrant certificate. The Company valued the warrants on the date of issuance using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.80%; volatility 75%; dividend yield 0% and the expected lives of 2 years. The resultant value of $294 thousand attributable to the warrants at the time of issuance was recognized as warrant liabilities and stock based compensation, as the Market Price vesting conditions with respect to the Performance Incentive have not been met. The fair value of the warrants were subsequently remeasured as at June 30, 2019 using the *Black-Scholes Option Pricing Model* and the same assumptions as noted above (due to the relatively short time frame between the date of issuance and June 30, 2019), resulting in a fair value at June 30, 2019 of $325 thousand. The resultant loss on fair value adjustments of $31 thousand has been recorded in the statements of net income (loss) and comprehensive income (loss) in the three month period ended June 30, 2019.

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

9. FINANCE COSTS

Finance costs are comprised of the following:

	Three months ended		Six months ended	
	June 30, 2019	**July 31, 2018**	**June 30, 2019**	**July 31, 2018**
Interest expense:	**$**	**$**	**$**	**$**
Loan interest	-	1	-	3
Lease liabilities (Note 3(b))	142	-	251	-
	142	**1**	**251**	**3**

10. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share amounts are calculated by dividing the net income (loss) for the period by the weighted average number of shares outstanding during the period.

	Three months ended		Six months ended	
	June 30, 2019	**July 31, 2018**	**June 30, 2019**	**July 31, 2018**
Net income (loss) attributable to equity holders of the Company	$ 1,015	$ (13,625)	$ 1,223	$ (13,634)
Weighted average number of common shares outstanding	112,518,144	39,809,288	112,100,136	24,635,203
Effect of stock options, warrants and performance warrants	33,430,268	-	33,255,324	-
Weighted average number of diluted common shares outstanding	145,948,412	39,809,288	145,355,460	24,635,203
Earnings (loss) per share - basic	**$ 0.01**	**$ (0.34)**	**$ 0.01**	**$ (0.55)**
Earnings (loss) per share - diluted	**$ 0.01**	**$ (0.34)**	**$ 0.01**	**$ (0.55)**

(Expressed in thousands of Canadian dollars except for per share amounts - unaudited)

11. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

Changes in non-cash working capital items are comprised of the following:

	Three months ended		Six months ended	
	June 30, 2019	July 31, 2018	June 30, 2019	July 31, 2018
	$	$	$	$
Net changes in non-cash working capital items from:				
Operating activities				
Receivables	260	(70)	252	(71)
Inventories	(14)	-	(33)	-
Prepaid expenses and lease deposits	174	(247)	394	(252)
Long-term lease deposits	(76)	-	(72)	-
Trade and other payables	(284)	107	(476)	103
	60	(210)	65	(220)
Investing activities				
Trade and other payables	(220)	28	(887)	28
	(220)	28	(887)	28
Financing activities				
Trade and other payables	86	189	(66)	189
	86	189	(66)	189

There were no non-cash transactions not reflected in the statement of cash flows for the three and six months ended June 30, 2019 and July 31, 2018.

12. FINANCIAL INSTRUMENTS

Measurement of Financial Instruments

a) Fair value hierarchy

Financial instruments recognized on the consolidated statements of financial position at fair value are classified in a hierarchy based on the significance of the estimates used in their measurement, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Warrant liabilities, being the Company's only financial instruments measured at fair value, are classified as a Level 2 hierarchy instrument where fair values are calculated using the methods described in Note 8. There have been no transfers of instruments between levels in the hierarchy.

b) Financial instruments measured at other than fair value

Financial assets that are valued at other than fair value on the consolidated statements of financial position include cash, restricted cash and receivables. The carrying value of receivables approximates fair value due to the short-term nature of the instruments.

Financial liabilities that are valued at amortized cost are comprised of trade and other payables. The carrying value of trade and other payables approximates fair value due to the short-term nature of the instruments.

13. SUBSEQENT EVENTS

The Company received two AGLC licenses for applicable Sweet Tree locations on June 17, 2019 and July 2, 2019, and as a result, 9,500,000 common shares were issued with a fair value of $2.9 million on July 8, 2019 in partial settlement of the contingent consideration with respect to the Sweet Tree Acquisition (Note 4(b)), bringing the Company's total issued and outstanding common shares to 125,677,484 as at the reporting date of August 20, 2019.