AVANT

July 13, 2022

Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian dollars)

Three and Six Months Ending – May 31, 2022

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AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Financial Position

As at May 31, 2022 and November 30, 2021

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note		May 31, 2022		November 30, 2021
Assets					
Current assets					
Cash and cash equivalents		**$**	**8,932**	$	14,313
Accounts receivable	4		**4,700**		2,348
Prepaid expenses	5		**872**		1,210
Biological assets	6		**1,752**		1,948
Inventory	7		**8,143**		6,171
Marketable Securities			**14**		176
			24,413		26,166
Property, plant and equipment	8		**16,890**		17,069
Goodwill	9		**182**		182
Intangible assets	9		**2,463**		3,202
Investment in associate	10		**5,987**		3,951
Total assets		**$**	**49,935**	$	50,570
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	16	**$**	**3,071**	$	2,073
Lease liabilities	11		**355**		322
			3,426		2,395
Lease liabilities	11		**106**		301
Total liabilities			**3,532**		2,696
Shareholders' equity					
Share capital	12		**93,956**		92,744
Contributed surplus	13		**8,533**		6,877
Accumulated deficit			**(56,086)**		(51,747)
Total shareholders' equity			**46,403**		47,874
Total liabilities and shareholders' equity		**$**	**49,935**	$	50,570

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 18)

Subsequent events (Note 19)

Approved on behalf of the Board on July 13, 2022:

/s/ Duane Lo, Director   *<u>/s/ Derek Sanders, Director</u>*

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three-month and six-month periods ended May 31, 2022 and May 31, 2021

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

		Three months ended May 31		Six months ended May 31	
	Note	**2022**	2021	**2022**	**2021**
Revenue		**$ 4,456**	$ 2,904	**$ 9,070**	5,133
Excise taxes		**(382)**	(446)	**(799)**	(705)
Net revenue	14	**4,074**	2,458	**8,271**	4,428
Cost of sales		**3,139**	1,497	**6,382**	2,657
Gross margin before fair value changes		**935**	961	**1,889**	1,771
Unrealized gain on changes in fair value of biological assets		**544**	1,241	**1,366**	2,933
Change in fair value of biological assets realized through inventory sold		**(629)**	(873)	**(1,710)**	(1,637)
Gross margin		**850**	1,329	**1,545**	3,067
Operating expenses					
Administration and general		**188**	36	**257**	124
Business fees and licenses		**214**	158	**433**	331
Consulting fees		**156**	181	**292**	181
Depreciation and amortization	8,9	**421**	202	**841**	487
Marketing and advertising		**156**	72	**276**	228
Professional fees		**535**	358	**757**	485
Salaries and wages		**605**	382	**1,105**	825
Share based payments	13	**2,977**	49	**2,999**	125
Travel		**70**	15	**108**	35
		5,322	1,453	**7,068**	2,821
Net (loss) income from operations		**(4,472)**	(124)	**(5,523)**	246
Other income (expense)					
Canadian emergency wage subsidy		**-**	383	**-**	898
Financing costs		**(11)**	(18)	**(23)**	(55)
Equity income (loss) on investment in associate	10	**652**	(146)	**1,233**	(276)
Non-refundable deposit		**-**	25	**-**	25
Gain on the sale of assets		**6**	-	**6**	-
Gain on legal settlement		**26**	-	**130**	-
Loss on marketable securities		**(45)**	-	**(162)**	-
Loss on extinguishment of debt		**-**	(1,024)	**-**	(1,024)
Interest and accretion		**-**	(640)	**-**	(1,103)
Net loss from continuing operations		**(3,844)**	(1,544)	**(4,339)**	(1,289)
Net (loss) income from discontinued operations		**-**	(132)	**-**	430
Net loss and comprehensive loss		**$ (3,844)**	$ (1,676)	**(4,339)**	$ (859)
Loss per common share					
Basic and fully diluted		**$** (0.02)	$ (0.01)	**$** (0.02)	$ (0.00)
Weighted average shares outstanding					
Basic and fully diluted		**201,370,479**	187,257,377	**200,941,504**	182,008,595

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Changes in Equity

For the six-month periods ended May 31, 2022 and May 31, 2021

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Attributable to equity holders of the Company					
	Shares	**Share capital**	**Subscriptions received**	**Contributed Surplus**	**Deficit**	**Total**
Balance at November 30, 2021	**199,591,886**	**$ 92,744**	**$ -**	**$ 6,877**	**$ (51,747)**	**$ 47,874**
Net loss for the period	-	-	-	-	(4,339)	(4,339)
Shares issued for contingent consideration for acquisitions	1,000,000	280	-	(280)	-	-
Share units released	758,275	222	-	(355)	-	(133)
Shares issued for services	2,627,500	710	-	-	-	710
Share-based compensation	-	-	-	2,291	-	2,291
Balance at May 31, 2022	**203,977,661**	**$ 93,956**	**$ -**	**$ 8,533**	**$ (56,086)**	**$ 46,403**
Balance at November 30, 2020	**140,723,195**	**$ 62,214**	**$ 85**	**$ 6,526**	**$ (40,405)**	**$ 28,420**
Net loss for the period	-	-	-	-	(859)	(859)
Units issued from financing	42,500,000	24,600	-	1,150	-	25,750
Share issuance cost		(2,212)		660	-	(1,552)
Shares issued for contingent consideration for acquisitions	795,454	438	-	-	(438)	-
Share-based compensation	-	-	-	125	-	125
Exercise of warrants	9,519,591	3,840	-	(785)	-	3,055
Exercise of stock options	2,225,500	1,296	(85)	(452)	-	759
Shares issued for debt settlement	3,650,646	2,336	-	(556)	-	1,780
Balance at May 31, 2021	**199,414,386**	**$ 92,512**	**$ -**	**$ 6,668**	**$ (41,702)**	**$ 57,478**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Cash Flows

For the six-month periods ended May 31, 2022 and May 31, 2021

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

	May 31, 2022	May 31, 2021
Cash flows from operating activities		
Net loss from continuing operations	$ (4,339)	$ (1,289)
Items not affecting cash:		
Accretion expense	-	251
Depreciation and amortization	1,503	839
Equity (income) loss on investment in associate	(1,233)	276
Financing costs	47	89
Gain on the sale of assets	(6)	-
Loss on extinguishment of debt	-	1,024
Gain on lease modification	-	(62)
Share-based payments	2,999	125
Impairment of inventory	-	213
Unrealized gain on changes in fair value of biological assets	(1,366)	(2,933)
Change in fair value of biological assets realized through inventory sold	1,710	1,637
Loss on marketable securities	162	-
	(523)	170
Change in non-cash operating working capital:		
Accounts receivable	(2,352)	(637)
Prepaid expenses	338	25
Biological assets	(148)	332
Inventory	(1,971)	(2,012)
Accounts payable and accrued liabilities	998	(1,523)
Net cash flows used in operating activities	(3,658)	(3,645)
Net cash flows from operating activities of discontinued operations	-	430
	(3,658)	(3,215)
Cash flows from investing activities		
Investments in associates	(802)	(709)
Disposal of property and equipment	97	
Purchase of property and equipment	(676)	(127)
	(1,381)	(836)
Cash flows from financing activities		
Options and warrants exercised for cash	-	3,814
Lease liability payments	(209)	(229)
Proceeds from issuance of common shares		25,750
Repayment of long-term debt	-	(5,949)
Repayment of convertible debentures	-	(125)
Due to related parties	-	37
Payment on release of RSUs	(133)	-
Share issuance costs	-	(1,552)
	(342)	21,107
(Decrease) increase in cash and cash equivalents	(5,381)	17,056
Cash and cash equivalents – beginning of period	14,313	625
Cash and cash equivalents – end of period	$ 8,932	$ 17,681

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

1 Nature and continuance of operations

Avant Brands Inc. (formerly GTEC Holdings Ltd.) (the "Company") was originally incorporated under the Canada Business Corporations Act and continued under the British Columbia Business Corporations Act effective as of July 28, 2017 as a Capital Pool Company ("CPC"). On June 12, 2018, the Company completed its Qualifying Transaction and Business Combination with GreenTec Holdings Ltd. and 1155425 BC Ltd. and changed its name from Black Birch Capital Acquisition III Corp. to GTEC Holdings Ltd.

The Company's principal business activity is pursuing opportunities in the cannabis industry. The Company is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "AVNT" and trades on the OTCQX Best Markets (OTCQX: AVTBF) and Frankfurt Stock Exchange (FRA: 1BU0). The Company's head office is located at Suite 335 – 1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred losses since its inception and has an accumulated deficit of $56,086 as at May 31, 2022, that has been funded primarily by issuance of equity, convertible debentures and advances from related parties. There is a material uncertainty around the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to generate profitable operations or raise adequate financing in the future.

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus ("COVID-19"), a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The production and sale of cannabis have been recognized as essential services across Canada; however, COVID-19 related challenges have persisted, including, but not limited to, reduced staffing levels, production inefficiencies resulting from increased health and safety measures, and limited supply chain issues.

Due to the ongoing developments and uncertainty surrounding COVID-19, it is not possible to predict the continuing impact that COVID-19 will have on the Company, its financial position, and/or its operating results in the future. In addition, it is possible that estimates in the Company's condensed interim consolidated financial statements will change in the near-term as a result of COVID-19, and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangible assets and goodwill. The Company is closely monitoring the impact of COVID-19 on all aspects of its business.

2 Basis of presentation

Statement of compliance and basis of measurement

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended November 30, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the board of directors of the Company (the "Board") on July 13, 2022.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and the following Canadian subsidiaries:

Subsidiaries	Percentage of ownership
Avant Craft Cannabis Inc. ("ACC")	100%
GreenTec Bio-Pharmaceuticals Inc. ("GBP")	100%
GreenTec Retail Ventures Inc.	100%
Grey Bruce Farms Incorporated ("Grey Bruce")	100%
Spectre Labs Inc.	100%
Tumbleweed Farms Corp. ("Tumbleweed")	100%
1203648 B.C. Ltd.	100%

Subsidiaries are entities that the Company controls. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation.

Significant Accounting Policies

These unaudited condensed interim consolidated financial statements reflect the accounting policies and disclosures described in the Company's audited consolidated financial statements for the year ended November 30, 2021 with the exception of any change set out below, and accordingly, should be read in conjunction with those audited consolidated financial statements and the notes thereto.

Revenue Recognition

Under bill-and-hold arrangements, whereby the Company bills a customer for product to be delivered at a later date, control typically transfers when the product is still in the Company's physical possession, and title and risk of loss has passed to the customer. Revenue is recognized when all specific requirements for transfer of control under a bill-and-hold arrangement have been met, including: the reason for the arrangement is substantive, the product is identified separately as belonging to the customer, the product currently is ready for physical transfer to the customer and the Company does not have the ability to use the product or direct it to another customer.

3 Adoption of new accounting pronouncements

a) New IFRS Standards in issue but not yet effective:

(i) Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

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

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

(iii) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment narrowed the scope of certain recognition exemptions so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendment is effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

(iv) Amendments to IAS 41: Agriculture

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IAS 41. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

(v) Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023 with early adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

(vi) Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help companies provide useful accounting policy disclosures.

The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and,
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

4 Accounts receivable

As of May 31, 2022 and November 30, 2021, accounts receivable consisted of:

		May 31, 2022		November 30, 2021
Trade accounts receivable	**$**	**4,400**	$	2,107
Government assistance receivable		**-**		159
Other receivables		**300**		82
	$	**4,700**	$	2,348

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

5 Prepaid expenses

As of May 31, 2022 and November 30, 2021, prepaid expenses consisted of:

		May 31, 2022		November 30, 2021
Insurance	**$**	**172**	$	435
Regulatory fees		**441**		124
Packaging material prepayments		**41**		405
Deposits and other		**218**		246
	$	**872**	$	1,210

6 Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

The changes in the carrying value of biological assets for the six months ended May 31, 2022 and the year ended November 30, 2021 are as follows:

		May 31, 2022		November 30, 2021
Carrying amount, opening	**$**	**1,948**	$	1,884
Production costs		**2,933**		8,369
Changes in fair value less costs to sell due to biological transformation		**480**		1,473
Transferred to inventory upon harvest		**(3,609)**		(9,778)
	$	**1,752**	$	1,948

The significant assumptions used to determine the fair value of the cannabis plants include:

- Expected yield by strain of plant;
- Wastage of plants;
- Duration of the production cycle;
- Percentage of costs incurred to date compared to the total costs expected to be incurred;
- Percentage of costs incurred for each stage of plant growth; and
- Market value less selling costs.

The Company's estimates are, by their nature, subject to change and differences from anticipated yield which will be reflected in the gain or loss on biological assets in future periods.

On average, the growth cycle is between 14 to 17 weeks and the Company expects average yield per plant to be between 71 to 99 grams of harvested flower and 10 to 19 grams of harvested trim. As at May 31, 2022, it is estimated that the Company's biological assets will yield approximately 385,364 grams of flower and 71,562 grams of trim when harvested.

The Company has determined the average fair value less cost to sell to be $3.92 per gram of flower and $0.20 per gram of trim. As of May 31, 2022, a change of 10% or less in the estimated yield per plant, growth cycle and selling price of dry cannabis would not result in a significant variance in the fair value of biological assets or inventory.

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

7 Inventory

The Company's inventories are comprised of the following balances as at May 31, 2022 and November 30, 2021:

		May 31, 2022		November 30, 2021
Dry cannabis	**$**		$	
Available for packaging		**5,783**		**4,835**
Packaged inventory		**901**		**854**
Trim		**160**		**193**
Concentrates		**353**		**82**
Packaging Materials		**946**		**207**
	$	**8,143**	$	**6,171**

As at May 31, 2022, the Company had dry cannabis with a carrying value of $6,684 (November 30, 2021: $5,689) and harvested trim with a carrying value of $160 (November 30, 2021: $193).

The Company holds 1,929,934 grams of harvested cannabis (November 30, 2021: 2,238,143), which is comprised of 1,131,712 grams of harvested flower and 798,221 grams of harvested trim.

During the period ended May 31, 2022, the Company allocated $4,495 of production costs to inventory (May 31, 2021: $4,021). Included in the production costs allocated to inventory for the period ended May 31, 2022 was $662 of amortization of property and equipment and right-of-use assets (May 31, 2021 $241).

8 Property, plant and equipment

	Land	**Buildings**	**Construction in-process**	**Growing & processing equipment**	**Right-of-use asset**	**Other**	**Total**
Cost							
Balance - November 30, 2020	$ 1,348	$ 9,204	$ 2,915	$ 5,358	$ 1,151	$ 1,384	$ 21,360
Additions	-	31	286	268	-	9	594
Lease modification	-	-	-	-	(34)	-	(34)
Reclassification	-	-	-	(419)	-	(50)	(469)
Balance - November 30, 2021	1,348	9,235	3,201	5,207	1,117	1,343	21,451
Additions	-	5	549	26	-	96	676
Disposals	-	-	-	(100)	-	-	(100)
Balance – May 31, 2022	1,348	9,240	3,750	5,133	1,117	1,439	22,027
Accumulated amortization							
Balance - November 30, 2020	-	(956)	-	(1,096)	(325)	(686)	(3,063)
Additions	-	(484)	-	(544)	(312)	(263)	(1,603)
Reclassification	-	-	-	232	26	26	284
Balance - November 30, 2021	-	(1,440)	-	(1,408)	(611)	(923)	(4,382)
Additions	-	(243)	-	(258)	(134)	(129)	(764)
Disposals	-	-	-	9	-	-	9
Balance – May 31, 2022	-	(1,683)	-	(1,657)	(745)	(1,052)	(5,137)
Net book value							
November 30, 2021	**$ 1,348**	**$ 7,795**	**$ 3,201**	**$ 3,799**	**$ 506**	**$ 420**	**$ 17,069**
May 31, 2022	**1,348**	**7,557**	**3,750**	**3,476**	**372**	**387**	**16,890**

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

During the period ended May 31, 2022, the Company allocated $662 (May 31, 2021: $241) of amortization expense to cost of inventory.

9 Intangible assets and goodwill

	Intangible asset	**Goodwill**
Balance - November 30, 2020	8,102	1,092
Impairment	(4,900)	(910)
Balance - November 30, 2021	**3,202**	**182**
Depreciation	(739)	-
Balance – May 31, 2022	**2,463**	**182**

The Company's intangible asset and goodwill were acquired through the acquisition of ACC during the year ended November 30, 2018. The Company's intangible asset, a license to sell cannabis, was considered indefinite lived. The Company completes an annual assessment of the recoverable amount of the goodwill and intangible asset. The recoverable amount of the ACC cash-generating unit ("CGU"), to which indefinite lived intangible assets and goodwill are allocated, was determined based on fair value less costs of disposal model using level 3 inputs in a discounted cash flow analysis.

At November 30, 2021, management performed its annual impairment assessment and determined that the recoverable amounts of the ACC CGU and the intangible assets were lower than the carrying value. Accordingly, the Company recorded an impairment loss of $4,900 to the intangible asset and $910 to goodwill for the year ended November 30, 2021.

As of December 1, 2021, management assessed the life of the ACC intangible asset to be finite going forward. Additionally, the Company has assessed the life to be 2.17 years based on the remaining lease term of the ACC facility. As such, the Company began amortizing the ACC intangible asset effective as of December 1, 2021.

10 Investment in associate

		May 31, 2022		November 30, 2021
Opening balance	**$**	**3,951**	$	2,666
Cash advanced under shareholder loan		**802**		1,555
Equity gain (loss) on investment		**1,412**		(270)
Deferred profit on unsold inventory		**(178)**		-
	$	**5,987**	$	3,951

During the year ended November 30, 2018, the Company acquired 49% of the issued and outstanding common shares of 3PL Ventures Inc. ("3PL"). The Company paid $49 cash and issued 1,225,490 common shares of the Company pursuant to a series of agreements related to the acquisition of the Company's interest in 3PL (together, the "Purchase Agreement") with its one other shareholder. The other shareholder of 3PL committed to provide a maximum of up to $9,000 in funding for 3PL through shareholder loans to finance the construction and equipping of the facility.

Pursuant to the Purchase Agreement, on April 23, 2019, the Company issued an additional 1,953,125 common shares to the other shareholder. The fair value of the common shares issued was determined to be $1,250. In addition, the Company also has the option to purchase the remaining 51% interest from the other shareholder upon receipt of 3PL's sales license from Health Canada. On August 20, 2021, 3PL was issued a standard cultivation, standard processing and medical sales licenses, in accordance with Health Canada's *Cannabis Act* and regulations ("CA&R"). On May 10, 2022, 3PL received a sales amendment license from Health Canada.

As of May 31, 2022, the Company has advanced $3,702 (November 30, 2021: $2,900) to 3PL, which is included within the non-current liabilities of 3PL below.

The Company records its investment in 3PL on the equity basis. The following is a summary of the aggregate financial information for 3PL:

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

Statement of Financial Position as at		**May 31, 2022**		November 30, 2021
Cash and cash equivalents	**$**	**59**	$	246
Biological assets and inventory		**4,559**		632
Other current assets		**1,342**		82
Property, plant and equipment		**11,000**		11,587
Current liabilities		**1,284**		873
Non-current liabilities		**15,659**		14,389

Statement of loss and comprehensive loss for the three months ended		**May 31, 2022**		May 31, 2021
Revenue	**$**	**1,989**	$	-
Cost of goods sold		**(1,178)**		-
Unrealized gain on changes in fair value of biological assets		**2,309**		-
Operating and administrative expenses		**(387)**		(563)
Net income (loss) and comprehensive income (loss)		**2,733**		(563)

3PL has lease commitments over the next two years as follows:

Period ending:		
2022		286
2023		334
	$	**620**

11 Lease liability

The following is the continuity of lease liability, for the period ended May 31, 2022:

Balance – November 30, 2020	**916**
Lease payments	(391)
Lease modification – change in lease terms	(34)
Interest expense on lease liability	132
Balance – November 30, 2021	**623**
Lease payments	(209)
Interest expense on lease liability	47
Balance – May 31, 2022	**461**
Current portion	**355**
Long-term portion	**106**

The Company recognized right-of-use assets and a corresponding lease liability upon the adoption of IFRS 16 related to its facility premises and corporate office. Amortization on the right-of-use asset is calculated over the term of the lease. Interest expense of $23 (May 31, 2021: $72) is included in financing costs and payments are applied against the lease liability.

12 Share capital

The Company has an unlimited number of common shares without par value authorized for issuance. The Company also has an unlimited number of preference shares without par value authorized for issuance.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

(a) Issued shares

During the period ended May 31, 2022:

- The Company issued 1,000,000 common shares with a fair value of $280 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones (note 18).
- The Company issued 758,275 common shares in connection with employment compensation agreements, resulting in a decrease to contributed surplus of $355 and increase in share capital of $222.
- The Company issued 2,627,500 common shares to service providers in connection with services received, results in an increase in share capital of $710.

During the period ended May 31, 2021:

- The Company issued 13,750,000 units (each a "Unit") at a price of $0.20 per Unit for gross proceeds of $2,750. Each Unit issued consists of one common share and one half of one share purchase warrant entitling the holder to purchase one additional common share of the Company at $0.30 for a period of three years from the closing.
- The Company issued 28,750,000 units (each a "Unit") at a price of $0.80 per Unit for gross proceeds of $23,000. Each Unit issued consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company at $1.04 for a period of three years from the closing, subject to early expiry in certain circumstances. Of the total proceeds, $1,150 has been allocated to contributed surplus to reflect the fair value of share purchase warrants issued.
- The Company issued 795,454 common shares with a fair value of $438 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones.
- The Company issued 9,519,591 common shares pursuant to the exercise of warrants for gross proceeds of $3,055.
- The Company issued 2,225,500 common shares pursuant to the exercise of stock options for gross proceeds of $844.
- The Company issued 3,650,646 common shares pursuant to the conversion of a convertible debenture. The Company also reallocated $556 from contributed surplus in connection with the full conversion of the note.

(b) Escrow shares

As at May 31, 2022 there were 2,875,873 common shares held in escrow. The following is a summary of escrow shares to be released:

Escrow release date	Escrow shares to be released	Escrow Balance
June 8, 2022	355,856	2,520,017
October 30, 2022	403,508	2,116,509
December 8, 2022	355,855	1,760,654
April 30, 2023	403,512	1,357,142

Of the common shares held in escrow summarized in the table above, as at May 31, 2022 there were:

- 1,357,142 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events.
- 711,711 common shares held in escrow pursuant to the debt financing, which are subject to a three-year release schedule, with 355,856 shares being released each six-month period.
- 807,020 common shares held in escrow pursuant to the debt financing, which are subject to a three-year release schedule, with 403,508 shares being released each six-month period.

(c) Share purchase warrants

Warrant transactions are summarized as follows:

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Number of share purchase warrants	Weighted average exercise price
Balance – November 30, 2020	**29,298,986**	**0.82**
Granted	**36,918,750**	**0.89**
Exercised	**(9,622,091)**	**0.33**
Expired	**(19,779,395)**	**1.05**
Balance – November 30, 2021 and May 31, 2022	**36,816,250**	**$ 0.90**

At May 31, 2022 the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price per share	Expiry date
6,772,500	$ 0.30	March 8, 2024
1,293,750	$ 0.80	March 30, 2024
28,750,000	$ 1.04	March 30, 2024
36,816,250		

The weighted average outstanding life of warrants outstanding as at May 31, 2022 is 1.82 years.

(d) Restricted Share Units and Deferred Share Units (“RSUs” and “DSUs”)

RSUs and DSUs are granted to the Company’s directors, officers, and employees as a part of compensation pursuant to, historically, the terms of the Company’s deferred share unit plan (“DSU Plan”) and restricted share unit plan (“RSU Plan”), and currently, the terms of the Company’s omnibus long-term incentive plan (“LTIP”). On April 18, 2022, the Board approved the LTIP that provides for the issuance of stock options, RSU’s and performance share units to officers, employees and other eligible service providers of the Company. The LTIP was ratified, confirmed and approved by the shareholders of the Company on May 26, 2022. The Company intends to cease issuing RSU’s pursuant to the RSU Plan and instead only issue RSU’s pursuant to the LTIp going forward. Each DSU will continue to be issued pursuant to the DSU Plan going forward.

Each RSU and DSU entitles the participant to receive the value of one common share of the Company. The maximum number of awards of RSUs, DSUs and all other security-based compensation arrangements may not exceed 10% of the Company’s outstanding shares.

The number of RSUs and DSUs awarded and underlying vesting conditions are determined by the Board in its discretion. RSUs and DSUs are accounted for as equity settled share-based payments and are valued using the share price of the common share on grant date. Since the Company controls the settlement, the RSUs and DSUs are considered equity settled.

RSU and DSU transactions are summarized as follows:

	Number of RSUs and DSUs	Weighted average issue price
Balance – November 30, 2021 and 2020	**-**	**$ -**
Granted	8,913,263	0.27
Vested and released	(1,311,651)	0.27
Forfeited	(29,628)	0.27
Balance – May 31, 2022	**7,571,982**	**$ 0.27**

The weighted average outstanding life of RSUs and DSUs outstanding as at May 31, 2022 is 0.35 years.

At May 31, 2022 the following RSUs and DSUs were outstanding:

Number of RSUs and DSUs	Grant date
98,462	January 17, 2022
7,473,520	March 1, 2022
7,571,982	

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

13 Stock-based compensation

The Company provides stock-based compensation to its directors, officers, employees, and consultants through grants of stock options.

(a) Stock options

The Company has adopted a stock option plan (the "Option Plan") to grant options to directors, officers, employees and consultants. Pursuant to the Option Plan, the Company may grant options that may not exceed 10% of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time an option is granted. Options granted may have a term of up to ten years and an exercise price typically not less than the Company's closing stock price on the TSX on the last trading day before the date of grant. Vesting is determined at the discretion of the Board. The Company intends to cease issuing stock options pursuant to the Option Plan and to instead only issue stock options pursuant to the LTIP going forward.

Stock option transactions are summarized as follows:

	Number of shares	Weighted average exercise price
Balance – November 30, 2020	9,559,947	$ 0.56
Granted	1,140,000	0.28
Expired/cancelled	(4,861,947)	0.71
Exercised	(2,300,500)	0.34
Balance – November 30, 2021	**3,537,500**	**$ 0.41**
Granted	5,095,000	0.27
Expired/cancelled	(1,285,000)	0.50
Balance – May 31, 2022	**7,347,500**	**$ 0.30**

The weighted average outstanding life of stock options outstanding as at May 31, 2022 is 2.54 years.

At May 31, 2022, the following stock options were outstanding:

Number of shares	Options Vested	Exercise price per share	Expiry date
1,500,000	1,350,000	$0.34	August 14, 2024
100,000	100,000	$0.30	September 25, 2024
387,500	387,500	$0.30	October 23, 2024
50,000	50,000	$0.30	August 12, 2023
200,000	200,000	$0.60	February 23, 2023
50,000	50,000	$0.78	February 24, 2023
5,060,000	4,780,000	$0.27	February 28, 2025
7,347,500	**6,917,500**		

(b) Share based payments

During the period ended May 31, 2022, the Company recognized share-based payment expense of $2,289 (May 31, 2021: $125) that was recorded in the condensed interim consolidated statements of comprehensive loss. The share-based payments represent the fair value of stock options, RSUs, and DSUs granted or vested during the period ended May 31, 2022 and were estimated on the grant date using the Black-Scholes option pricing model. The share-based payments also consist of common shares issued for services during the year. In addition, stock options granted to consultants for services to be provided over a period of time were recorded as prepaid expenses until the service period has lapsed.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

14 Net Revenue

		May 31, 2022		May 31, 2021
Recreational revenue	**$**	**5,641**	$	3,911
Bulk cannabis sales		**2,276**		468
Medical revenue		**102**		49
Management fees and other revenue		**252**		-
	$	**8,271**	$	4,428

15 Related party transactions

Key management compensation

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers.

Key management compensation for the periods ended May 31, 2022 and May 31, 2021 consists of the following:

		May 31, 2022		May 31, 2021
Salaries and wages	**$**	**385**	$	344
Director fees		**72**		30
Share-based payments		**910**		50
	$	**1,367**	$	424

Related party balances

As at May 31, 2022, accounts payable included $nil (November 30, 2021: $460) which was due to directors of the Company in connection with directors' fees.

Related party transactions

During the period ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce, 1118157 B.C. Ltd., Zenalytic Laboratories Ltd. and GBP. Each one of these entities was under common control with two of the Company's executive officers. Certain milestones within these agreements remain outstanding and are disclosed under Note 18.

16 Financial instruments

a) **Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, deposits, investment in associate, accounts payable and lease liabilities. The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. At present, the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.

As at May 31, 2022, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

ii) Currency risk

The Company operates primarily in Canadian dollars and as such is not significantly affected by the fluctuations of the Canadian dollar with other currencies.

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board considers securing additional funds through issuances of equity and debt or partnering transactions. The Board approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

iv) Maturity risk

The Company's cash and cash equivalents balance at May 31, 2022 was $8,932. At May 31, 2022, the Company had accounts receivable of $4,700, accounts payable and accrued liabilities of $3,071, current lease liabilities of $355, long term lease liabilities of $106. All accounts payable and accrued liabilities are current.

As at May 31, 2022, the Company did not have derivative financial liabilities with contractual maturities.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for a period of 90 days. To achieve this objective, the Company prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The following table summarizes the maturities of the Company's financial liabilities as at May 31, 2022 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 5 years
Accounts payable	$ 3,071	$ 3,071	$ 3,071	$ -
Lease liabilities	461	516	404	112
	$ 3,532	**$ 3,587**	**$ 3,475**	**$ 112**

b) Interest rate risk

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

Sensitivity analysis has not been presented as the Company currently has no significant exposure in its operations to interest rate or currency exchange rate fluctuations as the Company's interest-bearing liabilities have fixed interest rate.

c) Fair value classification of financial instruments

Fair value measurement is based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are:

Level 1 — measurement based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2 — measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset and liability.

Level 3 — measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

At May 31, 2022, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and investments, with a fair value of $8,932 (November 30, 2021: $14,313).

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

17 Capital management

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations.

18 Commitments and contingencies

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. As of May 31, 2022, the Company has accrued a provision of $100 related to certain legal proceedings for which the outcome is uncertain at this time.

Additionally, the Company may enter into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice. The Company has the following outstanding commitments based on achieving certain milestones.

Grey Bruce

On March 13, 2020, the Company entered into an amending agreement with the vendors of Grey Bruce amending certain terms and conditions of the definitive share purchase agreement, dated September 15, 2017. During the period ended May 31, 2022, the final milestone related to Grey Bruce was achieved and the Company issued 1,000,000 common shares in connection with the milestone.

GBP

As at May 31, 2022, in connection with a previously completed asset acquisition, the Company has committed to issue common shares valued at $2,500 contingent on future events as follows:

Trigger event		
Completion of GBP construction of a Health Canada approved cannabis production facility in compliance with the CA&R	$	500
GBP obtaining a license to sell cannabis under the CA&R		500
GBP having sold an aggregate of 3,000 kg of dried cannabis		750
GBP completing construction of an expansion to its production facility to increase production by at least 8,500 kg per annum and receiving an amendment to its production and sales licences		750
	$	**2,500**

On March 13, 2020, the Company entered into an amending agreement with the vendors of GBP amending certain terms and conditions of the definitive share purchase agreement dated November 15, 2017.

The vendors of GBP agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of GBP were reduced by $5,750. In addition to reducing the milestone payments, the vendors of GBP agreed to restructure the remaining milestones, as shown in the above table and raise the floor price of the common shares to be issued in connection with the new milestones to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Company's common shares, and (B) $1.00. Of the $5,750 reduction to the Company's payment obligations, $5,615 of the remaining milestone payments was waived by an executive officer of the Company.

19 Subsequent Events

On June 1, 2022, the Company executed an amended shareholders' agreement pertaining to its investment in 3PL (Note 10), under which the Company's ownership stake increased from 49% to 50% in return for consideration of $219.