AVANT

February 27, 2023

Condensed Interim Consolidated Financial Statements

(Audited - Expressed in Canadian dollars)

Three and Twelve Months Ending November 30, 2022

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Independent auditor's report

To the Shareholders of
Avant Brands Inc.

Opinion

We have audited the consolidated financial statements of **Avant Brands Inc.** and its subsidiaries [the "Company"], which comprise the consolidated statement of financial position as at November 30, 2022 and the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred losses since its inception and has an accumulated deficit of $59,289,000 as at November 30, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of Biological Assets	
As at November 30, 2022, the biological assets balance was $4,146,000. The Company discloses its accounting policies with relation to biological assets in Note 7 to the consolidated financial statements. Biological assets are measured at fair value less cost to sell up to the point of harvest. Auditing management's biological asset valuation was complex, given the degree of judgement and subjectivity in evaluating management's estimates and assumptions in determining the fair value of cannabis plants. We determined the most subjective inputs in management's estimate to be expected yield of plant.	To test the valuation of the biological assets, our audit procedures included, among others: • We observed the growing cannabis plants at year end as part of our physical biological asset count, and compared asset quantities and stage of growth, on a sample basis, to the relevant data inputs. used by management in the fair value calculation. • We evaluated the reasonableness of management's assumptions regarding expected yield, by comparing the estimated values to historical data, as well as data obtained after the year end date.
Business Combination – valuation of acquired intangible asset and property, plant and equipment	
As disclosed in Note 12 to the consolidated financial statements, on June 1, 2022, the Company acquired control of 3PL Ventures Inc. for net consideration of $9,876,000. The transaction was accounted for as a business combination. The fair value of the intangible asset acquired was $2,337,000. The fair value of the property, plant and equipment acquired was $12,923,000. Auditing the valuation of the intangible asset and property, plant and equipment was complex due to the subjective nature of estimating the fair values of the acquired intangible asset and property, plant and equipment. Management uses significant judgment in evaluating the inputs and assumptions used in their determination of fair value. The fair value of the acquired intangible asset is subject to higher estimation uncertainty due to management's judgment in determining key assumptions that include revenue growth, earnings margins and discount rate. The fair value of property, plant and equipment is determined in reference to subjective inputs including replacement costs quotations and market data and estimated remaining useful lives.	To test the Company's estimated fair value of the intangible asset and property, plant and equipment, we performed the following procedures, among others: • We reviewed the purchase agreement to obtain an understanding of the key terms and conditions and evaluated management's identification of assets and liabilities acquired. • With the assistance of our valuation specialists, we evaluated the appropriateness of the Company's valuation methodology and the various inputs utilized in determining the fair value of the intangible asset, including the discount rate, by referencing current industry and comparable company information as well as cash flow and company-specific risk. • We evaluated the reasonableness of significant assumptions and estimates used by management, including revenue growth, capacity rates and earnings margins, by considering the past performance of the acquired business and comparing management's past projections to actual and historical performance, as well as available third-party published economic and industry data.

Key audit matter	How our audit addressed the key audit matter
	• With the assistance of our valuation specialists, we performed sensitivity analyses on significant assumptions, including revenue growth rates, earnings margin and discount rate. • We involved our capital asset valuation specialists to evaluate the Company's approach to value the property, plant and equipment and to evaluate the remaining useful lives against third party data.
Business Combination – existence of inventory and biological assets acquired	
As disclosed in Note 12 to the consolidated financial statements, on June 1, 2022, the Company acquired control of 3PL Ventures Inc for net consideration of $9,876,000. The transaction was accounted for as a business combination. The fair value of tangible assets acquired include $2,489,000 of Inventory and $1,869,000 million of biological assets. Auditing the existence of inventory and biological assets was complex because we were appointed auditor's of the Company subsequent to the acquisition date and were unable to observe the inventory count procedures performed by management on acquisition date.As such, alternative procedures were required to verify the existence of inventory and biological assets on the acquisition date.	We performed the following procedures to test the existence, at the acquisition date, of the acquired inventory and biological assets, among others: • We reviewed video images of biological assets at the date of acquisition to observe their existence. • We obtained documentation of management's inventory count as at the acquisition date and reconciled to management's accounting records. • We tested the movements of the acquired inventory balance between the acquisition date and year end by agreeing transfers and sales to internal and external source documents on a sample basis. • To test the completeness of net movement, we observed and counted all inventory at the 3PL facility as part of our November 30, 2022 year end inventory count.

Other matter

The accompanying comparative information, which comprises the statement of financial position as at November 30, 2021, the statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the year ended November 30, 2021, were audited by another auditor who expressed an unmodified opinion on February 24, 2022.

Other information

Management is responsible for the other information. The other information is comprised of Management's Discussion and Analysis for the year ended November 30, 2022.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Louisa Lun.

Ernst & Young LLP

Vancouver, Canada
February 27, 2023

Chartered Professional Accountants

AVANT BRANDS INC.

Consolidated Statements of Financial Position

As at November 30, 2022 and November 30, 2021

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note		November 30, 2022		November 30, 2021
Assets					
Current assets					
Cash and cash equivalents		$	**6,764**	$	14,313
Accounts receivable	5		**4,409**		2,348
Prepaid expenses	6		**1,691**		1,210
Biological assets	7		**4,146**		1,948
Inventory	8		**10,461**		6,171
Marketable securities			**16**		176
			27,487		26,166
Property, plant and equipment	10,12		**28,651**		17,069
Goodwill	9,12		**6,024**		182
Intangible assets	9,12		**3,869**		3,202
Investment in associate	11		**-**		3,951
Investment in joint venture	11		**1,000**		
Total assets		$	**67,031**	$	50,570
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	18	$	**2,683**	$	2,073
Lease liabilities	14		**611**		322
			3,294		2,395
Amount due to non-controlling interests	12		**11,989**		-
Lease liabilities	14		**2,400**		301
Deferred tax liability	21		**1,105**		-
Total liabilities			**18,788**		2,696
Shareholders' equity					
Share capital	15		**94,542**		92,744
Contributed surplus	15		**8,666**		6,877
Accumulated deficit			**(59,289)**		(51,747)
Equity attributable to equity holders of the parent			**43,919**		47,874
Non-controlling interests	13		**4,324**		-
Total shareholders' equity			**48,243**		47,874
Total liabilities and shareholders' equity		$	**67,031**	$	50,570

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 22)

Approved on behalf of the Board on February 27, 2023:

/s/ Duane Lo, Director *   /s/ Derek Sanders, Director*

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

AVANT BRANDS INC.

Consolidated Statements of Comprehensive Loss

For the years ended November 30, 2022 and November 30, 2021

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note		2022		2021
Revenue		$	**22,604**		11,004
Excise taxes			**(2,455)**		(1,505)
Net revenue	17		**20,149**		9,499
Cost of sales			**(13,783)**		(5,838)
Gross margin before fair value changes			**6,366**		3,661
Unrealized gain on changes in fair value of biological assets			**3,200**		439
Change in fair value of biological assets realized through inventory sold			**(5,652)**		(2,201)
Gross margin			**3,914**		1,899
Operating expenses					
Administration and general			**763**		391
Business fees and licenses			**910**		1,038
Consulting fees			**594**		340
Depreciation and amortization	9,10		**1,876**		915
Marketing and advertising			**545**		493
Professional fees			**1,384**		1,261
Salaries and wages			**2,573**		2,292
Share based payments	16		**3,597**		473
Travel			**214**		91
			12,456		7,294
Net loss from operations			**(8,542)**		(5,395)
Other income (expense)					
Canadian emergency wage subsidy			**-**		1,639
Financing costs			**(37)**		(68)
Equity income (loss) on investment in associate	11		**1,233**		(270)
Fair value gain on acquisition	12		**1,115**		-
Gain (loss) on the sale of assets			**7**		(142)
Impairment of goodwill and intangibles			**-**		(5,810)
Gain on legal settlement			**130**		-
Provision for doubtful receivables			**-**		(106)
Loss on marketable securities			**(160)**		(74)
Loss on extinguishment of debt			**-**		(1,024)
Interest and accretion			**-**		(1,080)
Net loss before income tax			**(6,254)**		(12,330)
Deferred income tax (expense) recovery	21		**(364)**		1,199
Net loss from continuing operations			**(6,618)**		(11,131)
Net loss from discontinued operations			**-**		(103)
Net loss and comprehensive loss			**(6,618)**	$	(11,234)
Attributable to:					
Equity holders of the parent			**(7,542)**		(11,234)
Non-controlling interests			**924**		-
Loss per common share	15				
Basic and diluted		**$**	(0.04)	$	(0.06)
Weighted average shares outstanding					
Basic and diluted			**201,221,147**		182,070,266

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

AVANT BRANDS INC.

Consolidated Statements of Changes in Equity

For the years ended November 30, 2022 and November 30, 2021

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Attributable to equity holders of the Company						
	Shares	**Share capital**	**Subscriptions received**	**Contributed Surplus**	**Deficit**	**Equity – NCI**	**Total**
Balance at November 30, 2021	**199,591,886**	**$ 92,744**	**$ -**	**$ 6,877**	**$ (51,747)**	**$ -**	**$ 47,874**
Net loss for the period attributable to equity holders of the parent	-	-	-	-	(7,542)	-	(7,542)
Net income for the period attributable to non-controlling interests	-	-	-	-	-	924	924
3PL acquisition – recognition of NCI fair value	-	-	-	-	-	3,400	3,400
Shares issued for contingent consideration for acquisitions	1,000,000	280	-	(280)	-	-	-
Shares issued for services	3,099,324	831	-	(47)	-	-	784
Share units released	2,403,530	687	-	(1,060)	-	-	(373)
Share-based compensation	-	-	-	3,176	-	-	3,176
Balance at November 30, 2022	**206,094,740**	**$ 94,542**	**$ -**	**$ 8,666**	**$ (59,289)**	**$ 4,324**	**$ 48,243**
Balance at November 30, 2020	**140,723,195**	**$ 62,214**	**$ 85**	**$ 6,526**	**$ (40,405)**	**$ -**	**$ 28,420**
Net loss for the period	-	-	-	-	(11,234)	-	(11,234)
Units issued from financing	42,500,000	24,600	-	1,150	-	-	25,750
Share unit issuance cost		(2,216)		660	-		(1,556)
Shares issued for contingent consideration for acquisitions	795,454	620	-	169	(789)	-	-
Sale of Zenalytic Laboratories Inc.	-	-	-	-	681	-	681
Share-based compensation	-	-	-	165	-	-	165
Exercise of warrants	9,622,091	3,871	-	(785)	-	-	3,086
Exercise of stock options	2,300,500	1,319	(85)	(452)	-	-	782
Shares issued for debt settlement	3,650,646	2,336	-	(556)	-	-	1,780
Balance at November 30, 2021	**199,591,886**	**$ 92,744**	**$ -**	**$ 6,877**	**$ (51,747)**	**$ -**	**$ 47,874**

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

AVANT BRANDS INC.

Consolidated Statements of Cash Flows

For the years ended November 30, 2022 and November 30, 2021

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

	November 30, 2022	November 30, 2021
Cash flows used in operating activities		
Net loss from continuing operations	$ (6,618)	$ (11,131)
Items not affecting cash:		
Accretion expense	-	251
Depreciation and amortization	4,366	1,603
Deferred income tax expense	364	(1,199)
Equity (income) loss on investment in associate	(1,233)	270
Financing costs	212	150
(Gain) loss on the sale of assets	(7)	142
Loss on extinguishment of debt	-	1,024
Impairment of goodwill and intangible asset	-	5,810
Gain on lease modification	-	(62)
Share-based payments	3,597	165
Impairment of inventory	292	891
Provision for doubtful receivable	-	106
Unrealized gain on changes in fair value of biological assets	(3,200)	(439)
Change in fair value of biological assets realized through inventory sold	5,360	1,310
Fair value loss on acquisition	(1,115)	-
Loss on marketable securities	160	74
	2,178	(1,035)
Change in non-cash operating working capital:		
Accounts receivable	(1,012)	(281)
Prepaid expenses	(259)	(764)
Biological assets	(2,483)	(407)
Inventory	(2,094)	(2,617)
Accounts payable and accrued liabilities	209	(416)
Net cash flows used in operating activities	(3,461)	(5,520)
Net cash flows from operating activities of discontinued operations	-	(103)
	(3,461)	(5,623)
Cash flows used in investing activities		
Investments in associates	(802)	(1,555)
Proceeds from sale of property and equipment	91	500
Acquisition of property and equipment	(1,443)	(594)
Investment in joint venture	(1,000)	
Acquisition, net of cash acquired of 3PL	59	-
	(3,095)	(1,649)
Cash flows used in financing activities		
Options and warrants exercised for cash	-	3,868
Lease liability payments	(695)	(427)
Proceeds from issuance of common shares	-	25,401
Repayment of long-term debt	-	(5,949)
Repayment of convertible debentures	-	(125)
Due to related parties	-	(252)
Shares issued for services	(373)	-
Contributions received from non-controlling interests	75	-
Share issuance costs	-	(1,556)
	(993)	20,960
(Decrease) increase in cash and cash equivalents	(7,549)	13,688
Cash and cash equivalents – beginning of year	14,313	625
Cash and cash equivalents – end of year	$ 6,764	$ 14,313

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

1 Nature and continuance of operations

Avant Brands Inc. (formerly GTEC Holdings Ltd.) (the "Company") was originally incorporated as a capital pool company under the *Canada Business Corporations Act*. On July 28, 2017, the Company was continued under the *Business Corporations Act* (British Columbia). On June 12, 2018, the Company completed its Qualifying Transaction (as defined under the policies of the TSX Venture Exchange), pursuant to a business combination (the "Business Combination") with GreenTec Holdings Ltd. and 1155425 BC Ltd. Following the completion of the Business Combination, the Company 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 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 $59,289 as at November 30, 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 have 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 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 continues to closely monitor the impact of COVID-19 on all aspects of its business.

2 Basis of presentation

Statement of compliance and basis of measurement

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards "IFRS" as issued by the International Accounting Standards Board "IASB". The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value and biological assets that are measured at fair value less cost to sell, as detailed by the Company's accounting policies. The functional and presentation currency of the Company is the Canadian dollar.

These consolidated financial statements of the Company were approved and authorized for issue by the board of directors of the Company (the "Board") on February 27, 2023.

(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	Geographical Region	Ownership percentage
Avant Craft Cannabis Inc. (“ACC”)	Edmonton, Alberta	100%
GreenTec Bio-Pharmaceuticals Inc. (“GBP”)	Kelowna, British Columbia	100%
GreenTec Holdings Ltd. (“GreenTec”)	Kelowna, British Columbia	100%
GreenTec Retail Ventures Inc.	Kelowna, British Columbia	100%
Grey Bruce Farms Incorporated (“Grey Bruce”)	Tiverton, Ontario	100%
Spectre Labs Inc.	Kelowna, British Columbia	100%
Tumbleweed Farms Corp. (“Tumbleweed”)	Chase, British Columbia	100%
1203648 B.C. Ltd.	Kelowna, British Columbia	100%
3PL Ventures Inc. (“3PL”)	Vernon, British Columbia	50%

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 50% or more 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.

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 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 consolidated financial statements.

(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 consolidated financial statements.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

(iv) Amendments to IAS 41: *Agriculture*

As part of its 2018-2020 annual improvements to the IFRS 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 "Fair Value Measurement". The amendment is effective for annual reporting periods beginning on or after January 1, 2023. The Company notes the amendment is not relevant for the Company's fair value measurement methodology.

(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 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 with early adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

4 Significant accounting policies

Significant accounting policies, which affect the consolidated financial statements as a whole, are described in this section. Accounting policies have also been disclosed throughout the notes to the consolidated financial statements where a corresponding note exists, including the following:

Financial Statement Item	Accounting Policy	Accounting Estimates and Judgements
Accounts receivable (Note 5)	√	√
Biological assets (Note 7)	√	√
Inventory (Note 8)	√	√
Intangible assets and goodwill (Note 9)	√	√
Property, plant and equipment (Note 10)	√	√
Investment in associate and joint venture (Note 11)	√	
Business acquisitions (Note 12)	√	√
Non-controlling interests (Note 13)	√	√
Lease liabilities (Note 14)	√	
Share capital and reserves (Note 15)	√	√
Share-based compensation (Note 16)	√	√
Net revenue (Note 17)	√	

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Related party transactions (Note 18)	√
Financial instruments (Note 19)	√
Income taxes (Note 21)	√

Cash

Cash and cash equivalents is comprised of deposits with banks and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less and are classified and measured at amortized cost which approximates fair value.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Cost of sales

Cost of sales represents costs directly related to manufacturing and distribution of the Company's products and services. Primary costs include raw materials, packaging, direct labour, overhead, shipping and the depreciation of production equipment and facilities. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance, and property taxes. The Company recognizes the cost of sales as the associated revenue is recognized.

Loss per share

The Company presents basic loss per share data for its common shares, calculated by dividing the net loss available to common shareholders of the Company by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

5 Accounts receivable

Accounting Policy

Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Financial assets measured at amortized cost are assessed for impairment at the end of each reporting period.

Explanatory Estimates & Judgements

Impairment provisions are estimated using the expected credit loss impairment model where any expected future credit losses are provided for, irrespective of whether a loss event has occurred at the reporting date. Estimates of expected credit losses consider the Company's collection history and deterioration of collection rates during the average credit period, as well as observable changes in and forecasts of future economic conditions that affect default risk. Where applicable, the carrying amount of a trade receivable is reduced for any expected credit losses using an allowance for doubtful accounts ("AFDA") provision. Changes in the AFDA provision are recognized in the statement of comprehensive loss. When the Company determines that no recovery of the amount owing is possible, the amount is deemed irrecoverable, and the financial asset is written off.

Explanatory information

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

		November 30, 2022		November 30, 2021
Trade accounts receivable	**$**	**4,409**	$	2,107
Government assistance receivable		**-**		159
Other receivables		**-**		82
	$	**4,409**	$	2,348

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

As of November 30, 2022, the Company performed an analysis over its aged receivables balance by customer. The Company notes that credit risk is generally limited to receivables from government bodies, which generally have low default risk. From the review, the Company noted that no further AFDA is required and the Company recognized a $nil provision for expected credit losses at November 30, 2022 (November 30, 2021 - $106).

6 Prepaid expenses

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

		November 30, 2022		November 30, 2021
Insurance	**$**	**361**	$	435
Packaging material prepayments		**709**		405
Deposits and other		**621**		368
	$	**1,691**	$	1,210

7 Biological assets

Accounting Policy

Biological assets recognized by the Company are cannabis plants that are in the flowering stage but not yet harvested. While the Company's biological assets are within the scope of *IAS 41 Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in *IAS 2 Inventories*. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, amortization of machinery, utilities, facilities costs, etc. The Company measures biological assets at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the consolidated statement of comprehensive loss for the related period.

Explanatory Estimates & Judgements

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

- Estimated stage of growth of the cannabis up to the point of harvest;
- Expected yield by strain of plant; and
- Fair 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 and 17 weeks and the Company expects average yield per plant to be between 71 and 99 grams of harvested flower, and 10 and 32 grams of harvested trim. As at November 30, 2022, it is estimated that the Company's biological assets will yield approximately 1,057,762 grams of flower and 334,370 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 November 30, 2022, a change of 10% in the estimated yield per plant, growth cycle and fair value less cost to sell of dry cannabis would result in the variances noted below to the fair value of biological assets.

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.

Assumption	**November 30, 2022**	**+/- 10%**
Yield per plant	71 – 99 grams of flower and 10 – 32 grams of trim per plant	$415
FV less cost to sell	$3.92 per gram of flower and $0.20 per gram of trim	$1,347
Estimated stage of growth	0% - 100% of Life Cycle per stage	$415

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Explanatory information

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

		November 30, 2022		November 30, 2021
Carrying amount, opening	**$**	**1,948**	$	1,884
Production costs		**9,342**		8,369
Changes in fair value less costs to sell due to biological transformation		**1,946**		1,473
Transferred to inventory upon harvest		**(9,090)**		(9,778)
	$	**4,146**	$	1,948

8 Inventory

Accounting Policy

The Company values inventories at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs such as packaging materials and labour are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined using the weighted average cost basis.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write down previously recorded is reversed. Indirect administrative overhead and certain other selling costs related to inventories are expensed in the period incurred.

Explanatory Estimates & Judgements

In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value. Cost is determined using the weighted average method. The capitalized cost of inventory includes the capitalization of pre-harvest costs initially capitalized to biological assets prior to transfer to inventory plus post-harvest costs. The costs capitalized include labour, amortization expense for machinery and shop equipment. These costs are recognized within the cost of goods sold upon the sale of inventory.

Explanatory information

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

		November 30, 2022		November 30, 2021
Dry cannabis	**$**		$	
Available for packaging		**7,947**		4,835
Packaged inventory		**1,277**		854
Trim		**317**		193
Concentrates		**290**		82
Packaging materials		**630**		207
	$	**10,461**	$	6,171

As at November 30, 2022, the Company had dry cannabis with a carrying value of $9,224 (November 30, 2021: $5,689) and harvested trim with a carrying value of $317 (November 30, 2021: $193).

The Company holds 3,301,033 grams of harvested cannabis (November 30, 2021: 2,238,143), which is comprised of 2,053,394 grams of harvested flower and 1,247,639 grams of harvested trim (November 30, 2021: 1,363,654 grams of harvested flower and 874,489 grams of harvested trim).

During the year ended November 30, 2022, the Company allocated $13,034 of production costs to biological assets and inventory (November 30, 2021: $8,369). Included in the production costs allocated to inventory for the year ended November 30, 2022 was $2,490 of amortization of property and equipment and right-of-use assets (November 30, 2021: $585).

9 Intangible assets and goodwill

Accounting Policy

Intangible assets

Intangible assets consist of two licenses acquired by the Company. Acquired licenses are carried at cost less accumulated amortization and impairment.

Any impairment of intangible assets is recognized in the consolidated statement of operation and comprehensive loss but increases in intangible asset values are not recognized. Estimated useful lives of intangible assets are the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The useful lives of the licenses are 2.16 years and 6.08 years.

At each consolidated financial statement date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Goodwill

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed.

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

Explanatory Estimates & Judgements

Intangible Assets

The Company uses estimates in determining the useful life and residual values of its definite life intangible assets. The definite life intangible assets that are not under development and are ready for use, are amortized on a straight-line basis. The useful lives of the intangible assets are 2.16 years and 6.08 years. The Company considers both external and internal indicators when assessing whether the value of definite life intangible assets are impaired.

Goodwill

The Company uses judgment in determining the allocation of goodwill to a CGU for the purpose of impairment testing.

The Company uses estimates in determining the recoverable amount of its CGUs. The determination of the recoverable amount for impairment testing requires the use of significant estimates, such as future cash flows, discount rates, terminal value, and growth rates. Future cash flows are based on the Company's estimates and expected future operating results of the CGU after considering economic conditions impacting the CGU.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Explanatory information

	Intangible asset	Goodwill
Balance - November 30, 2020	8,102	1,092
Impairment	(4,900)	(910)
Balance - November 30, 2021	**3,202**	**182**
Addition from 3PL acquisition	2,337	5,842
Depreciation	(1,670)	-
Balance – November 30, 2022	**3,869**	**6,024**

The Company's intangible assets and goodwill were acquired through the acquisition of ACC & 3PL during the years ended November 30, 2018 and 2022, respectively. The Company's intangible assets, licenses to sell cannabis, were considered definite lived. The useful lives of the licenses are 2.16 years and 6.08 years. The Company completes an annual assessment of the recoverable amount of the goodwill. The recoverable amount of the ACC CGU and 3PL CGU, to which goodwill are allocated, were determined based on the fair value less costs of disposal 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. The carrying value of the ACC license is amortized over 2.16 years, the remaining lease term of the ACC facility.

10 Property, plant and equipment

Accounting Policy

Property, plant and equipment are measured at cost less accumulated amortization and impairment losses. The Company uses the following amortization rates for its property, plant and equipment:

Buildings	20 years	Straight line
Computer equipment	2 years	Straight line
Computer software	2 years	Straight line
Office equipment	5 years	Straight line
Vehicles	8 years	Straight line
Leasehold improvements	5 years	Straight line
Growing and processing equipment	5-8 years	Straight line

Costs of assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property and equipment and amortization commences when the asset is available for its intended use.

An asset's residual value, useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

Explanatory Estimates & Judgements

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Explanatory information

	Land	Buildings	Construction in-process	Growing and processing equipment	Right-of-use asset	Leasehold Improvements	Other	Total
Cost								
Balance - November 30, 2020	$ 1,348	$ 9,204	$ 2,915	$ 5,358	$ 1,151	$ 1,114	$ 270	$ 21,360
Additions	-	31	286	268	-	-	9	594
Lease modification	-	-	-	-	(34)	-	-	(34)
Reclassification	-	-	-	(419)	-	(47)	(3)	(469)
Balance - November 30, 2021	1,348	9,235	3,201	5,207	1,117	1,067	276	21,451
Additions – 3PL acquisition	-	-	-	3,340	2,872	6,700	11	12,923
Additions	-	5	1,169	84	-	165	21	1,444
Disposals	-	-	-	(91)	-	-	-	(91)
Balance – November 30, 2022	**1,348**	**9,240**	**4,370**	**8,540**	**3,989**	**7,932**	**307**	**35,727**
Accumulated amortization								
Balance - November 30, 2020	-	(956)	-	(1,096)	(325)	(506)	(180)	(3,063)
Additions	-	(484)	-	(544)	(312)	(222)	(41)	(1,603)
Reclassification	-	-	-	232	26	23	3	284
Balance - November 30, 2021	-	(1,440)	-	(1,408)	(611)	(705)	(218)	(4,382)
Additions	-	(486)	-	(724)	(512)	(938)	(34)	(2,694)
Disposals	-	-	-	0	-	-	-	-
Balance – November 30, 2022	**-**	**(1,926)**	**-**	**(2,132)**	**(1,123)**	**(1,643)**	**(252)**	**(7,076)**
Net book value								
November 30, 2021	$ 1,348	$ 7,795	$ 3,201	$ 3,799	$ 506	$ 362	$ 58	$ 17,069
November 30, 2022	**1,348**	**7,314**	**4,370**	**6,408**	**2,866**	**6,289**	**56**	**28,651**

During the year ended November 30, 2022, the Company allocated $2,490 (November 30, 2021: $585) of amortization expense to cost of inventory.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

11 Investment in associate and joint venture

Investment in associate

Accounting Policy

The Company has interests in associates. Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The Company accounts for associates using the equity method of accounting. Interests in associates accounted for using the equity method are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of comprehensive income and distributions of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date.

Explanatory Estimates & Judgements

Management exercises judgment in determining whether the Company has significant influence over an entity. An assessment of significant influence is performed at the inception of a relationship between the entity and the Company or when a change in circumstances warrant. When performing this assessment, the Company considers all facts and circumstances, and it must reassess whether it still has significant influence over an investee if facts and circumstances indicate there are changes to one or more of the conditions of significant influence.

Explanatory information

		November 30, 2022		November 30, 2021
Opening balance	**$**	**3,951**	$	2,666
Cash advanced under shareholder loan		**802**		1,555
Equity gain (loss) on investment		**1,233**		(270)
Fair value gain on acquisition of investment (Note 12)		**1,115**		-
Effective settlement of shareholder loan		**(3,701)**		-
Acquisition of investment (Note 12)		**(3,400)**		-
	$	**-**	$	3,951

During the year ended November 30, 2018, the Company acquired 49% of the issued and outstanding common shares of 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 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.

On June 1, 2022, the Company entered into an amended shareholders agreement to increase the Company's ownership stake from 49% to 50%. In addition to increasing the Company's ownership stake, the amended agreement also increased the Company's substantive rights over the 3PL entity while removing certain substantive rights from the current non-controlling interest shareholder. As such, under IFRS 3 "Business Combinations" guidance the Company acquired control over 3PL effective on June 1, 2022. As a result, 3PL was no longer accounted for as an investment in associate from June 1, 2022. A fair value gain on acquisition was recorded for $1,115 as part of the step-acquisition for the original 49% ownership interest and acquired 1% ownership interest. Please refer to Note 12 for further information.

Investment in joint venture

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Accounting Policy

The Company has an interest in a joint venture. A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). The Company accounts for joint ventures using the equity method of accounting. Investments in joint ventures accounted for using the equity method are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's interest in the joint venture is adjusted for the Company's share of comprehensive income and distributions of the investee. Where the Company transacts with its joint ventures, unrealized profits or losses are eliminated to the extent of the Company's interest in the joint venture. The carrying value of joint ventures is assessed for impairment at each statement of financial position date.

Explanatory Estimates & Judgements

Management exercises judgment in determining whether the Company has joint control over an entity. An assessment of joint control is performed at the inception of a relationship between any entity and the Company or when a change in circumstances warrants. When performing this assessment, the Company considers all facts and circumstances, and it must reassess whether it still has joint control over an investee if facts and circumstances indicate there are changes to one or more of the conditions of joint.

Explanatory information

		November 30, 2022		November 30, 2021
Opening balance	**$**	**-**	$	-
Initial investment in joint venture		**1,000**		-
	$	**1,000**	$	-

During the year ended November 30, 2022, the Company invested $1,000 into a joint-venture and subscribed for 50% of the common shares of the joint-venture.

12 Acquisitions

Accounting Policy

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of comprehensive loss.

Explanatory Estimates & Judgements

Judgement exists when determining who the acquirer is. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed and including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration.

Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that can create outputs.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration. Judgement is required to assess whether the amounts paid on achievement of milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to measure the contingent consideration and to assess whether it should be classified as equity or a liability. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Explanatory information

Acquisition of 3PL (Provisional)

On June 1, 2022, the Company entered into an amended agreement to increase the Company's ownership stake in 3PL from 49% to 50%. In addition to increasing the Company's ownership stake, the amended agreement also increased the Company's substantive rights over the 3PL entity while removing certain substantive rights from the current non-controlling interest shareholder. As such, under IFRS 3 guidance the Company acquired control over 3PL effective on June 1, 2022.

The execution of the amended agreement constituted a step acquisition business combination under IFRS 3, Business Combinations. The acquisition date fair value of the equity interest held by the Company immediately before the acquisition date was $3,400, resulting in $1,115 gain on remeasuring the equity interest on acquisition.

As of June 1, 2022, the Company recognized $3,400 in non-controlling interest representing the 50% ownership stake, which was valued using the acquisition date fair value. The non-controlling interest has protective rights over the 3PL entity, but none which would significantly restrict the Company's ability to exert control over 3PL.

The Company has settled $3,076 in pre-existing relationships it had with 3PL as of June 1, 2022. This balance includes settled amounts for accounts receivable, accounts payable and accrued liabilities, and a shareholder loan payable.

Management is in the process of gathering the relevant information that existed at the acquisition date to determine the fair value of the initial interest in 3PL in addition to the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was provisionally determined and allocated based on the Company's estimated fair value of the initial interest, identifiable assets acquired and the liabilities assumed on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to refine and finalize the acquisition-date initial fair value of interest acquired and non-controlling interest in addition to the purchase price allocation for the fair value of intangible assets, shareholder loans, goodwill and deferred taxes.

Consideration (provisional)		**Amount**
Acquisition-date fair value of initial 49% interest (Note 10)	**$**	**3,332**
Fair value Consideration for 1% interest acquired		**68**
Non-controlling interest - fair value		**3,400**
Pre-existing relationships		**3,076**
Total fair value of consideration		**9,876**

Net assets acquired (provisional)		**Amount**
Current assets		
Cash	**$**	**59**
Accounts receivable		**19**
Prepaid expenses		**221**
Inventory		**2,489**
Biological assets		**1,869**
Non-current assets		
Intangible assets		**2,337**

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Property, plant and equipment		**12,923**
Total assets		**19,917**
Current liabilities		
Accounts payable and accrued liabilities	**$**	**356**
Lease liability		**313**
Non-current liabilities		
Lease liability		**2,559**
Deferred tax liability		**741**
Amount due to non-controlling interests		**11,914**
Total liabilities		**15,883**
Total net assets acquired		**4,034**

Purchase price allocation (provisional)		**Amount**
Net identifiable assets acquired	**$**	**4,034**
Goodwill		**5,842**
Total fair value of consideration		**9,876**

Net cash flows		**Amount**
Cash consideration paid	**$**	**-**
Cash acquired		**59**
Total net cash flows		**59**

Amount due to non-controlling interests is non-interest bearing and does not have a defined repayment schedule. Repayment of this amount is based on future free cash flows of 3PL.

Goodwill arising from the business combination represents expected synergies, future income and growth that are not separately recognized.

During the year ended November 30, 2022, the Company's consolidated revenue included $6,586 from 3PL. In addition, for the year ended November 30, 2022, the Company's consolidated loss and comprehensive loss included net income of $1,845 respectively from 3PL. If 3PL had been acquired on December 1, 2021, total revenue from 3PL would have been $8,575 and the net income would have been $4,578.

13 Partly-owned subsidiaries

Accounting Policy

Non-controlling interests ("NCI") are recognized either at fair value or at the NCI's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For the 3PL acquisition (Note 12), the NCI was recognized at fair value.

Explanatory Estimates & Judgements

The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the underlying business and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration of the underlying business.

Explanatory information

Financial information of subsidiaries that have material non-controlling interests is provided below:

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Proportion of equity interest held by non-controlling interests:

Subsidiaries	Geographical Region	**Ownership percentage November 30, 2022**	Ownership percentage November 30, 2021
3PL	Vernon, British Columbia	**50%**	-%

On June 1, 2022, the Company entered into an amended agreement to increase the Company's ownership stake in 3PL from 49% to 50%. In addition to increasing the Company's ownership stake, the amended agreement also increased the Company's substantive rights over the 3PL entity while removing certain substantive rights from the current non-controlling interest shareholder. As such, under IFRS 3 guidance the Company acquired control over 3PL effective on June 1, 2022.

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized statement of financial position		**November 30, 2022**
Cash and cash equivalents	**$**	**499**
Biological assets and inventory		**7,136**
Other current assets		**2,138**
Property, plant and equipment		**11,886**
Goodwill and intangible assets		**7,987**
Current liabilities		**(5,532)**
Non-current liabilities		**(15,466)**
Total Equity		**8,648**
Attributable to equity holders of parent		**4,324**
Attributable to non-controlling interest		**4,324**
Summarized statement of income and comprehensive income		**Year ended November 30, 2022**
Net revenue	$	**5,796**
Cost of goods sold		**(3,793)**
Unrealized gain on changes in fair value of biological assets		**799**
Operating and administrative expenses		**(590)**
Deferred income tax expense		**(364)**
Net income and comprehensive income		**1,848**
Attributable to non-controlling interest		**924**
Summarized statement of cash flows for the year ended		**Year ended November 30, 2022**
Operating	**$**	**(486)**
Investing		**(85)**
Financing		**1,011**
Net increase in cash and cash equivalents		**440**

14 Lease liability

Accounting Policy

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in "financing costs" in the consolidated statement of comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Subsequently, if there is a change to the expected lease term within the control of the lessee, the lease liability will be remeasured using the updated term and revised discount rate on a prospective basis.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration in the consolidated statement of comprehensive loss. Short-term leases are defined as leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration, or sales and marketing expense, as appropriate given how the underlying leased asset is used, in the consolidated statement of comprehensive loss.

Explanatory information

The following is the continuity of lease liability, for the year ended November 30, 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**
Addition from 3PL acquisition	2,872
Lease payments	(696)
Interest expense on lease liability	212
Balance – November 30, 2022	**3,011**
Current portion	**611**
Long-term portion	**2,400**

The Company recognized right-of-use assets and a corresponding lease liability upon the adoption of IFRS 16 "Leases" 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 $37 (November 30, 2021: $72) is included in financing costs and payments are applied against the lease liability.

15 Share capital

Accounting Policy

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued. The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units. For the residual method, if the unit price is greater than the common share price, the excess is considered the fair value of the investor warrant. The fair value of investor warrants is measured based on the unit price paid by the investor compared to the fair value of the common shares on the issuance date.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Explanatory Estimates & Judgements

In calculating the fair value of the warrants, the Company's key estimates include the volatility of the Company's stock price.

Explanatory information

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.

(a) Issued shares

During the year ended November 30, 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 22).
- The Company issued 3,099,324 common shares to service providers in connection with services received, resulting in a decrease to contributed surplus of $47 and an increase in share capital of $831.
- The Company issued 2,403,530 common shares in connection with employment compensation agreements, resulting in a decrease to contributed surplus of $1,060 and an increase in share capital of $687.

During the year ended November 30, 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 consisted 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. In connection with the financing, the Company incurred share issuance costs of $700. As part of the private placement, $349 was converted from due to related parties to share capital.
- 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 consisted 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. Of the total proceeds, $1,150 has been allocated to contributed surplus to reflect the fair value of share purchase warrants issued. In connection with the financing, the Company incurred share issuance costs of $1,516
- The Company issued 795,454 common shares with a fair value of $620 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones (see Note 22).
- The Company issued 9,622,091 common shares pursuant to the exercise of warrants for gross proceeds of $3,086.
- The Company issued 2,300,500 common shares pursuant to the exercise of stock options for gross proceeds of $782.
- The Company issued 3,650,646 common shares pursuant to the conversion of a convertible note. The Company also reallocated $556 from contributed surplus in connection with the full conversion of the note.

(b) Escrow shares

As at November 30, 2022 there were 1,845,080 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
December 8, 2022	355,855	1,489,221
April 30, 2023	403,512	1,085,713

Of the common shares held in escrow summarized in the table above, as at November 30, 2022 there were:

- 1,085,713 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.
- 355,855 common shares held in escrow pursuant to the debt financing, with December 8, 2022 being the final scheduled release.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

- 403,512 common shares held in escrow pursuant to the debt financing, with April 30, 2023 being the final scheduled release.

(c) Share purchase warrants

Warrant transactions are summarized as follows:

	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 November 30, 2022	**36,816,250**	**$ 0.90**

At November 30, 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 November 30, 2022 is 1.32 years and the weighted average exercise price is $0.90.

(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 (the "DSU Plan") and restricted share unit plan (the "RSU Plan"), and currently, the terms of the Company's omnibus long-term incentive plan (the "LTIP"). On April 18, 2022, the Board approved the LTIP that provides for the issuance of stock options, RSUs 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 RSUs pursuant to the RSU Plan and instead only issue RSUs 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. Pursuant to the terms of the RSU Plan, the DSU Plan, or the LTIP, as applicable, the maximum number of awards of RSUs, DSUs and all other security-based compensation arrangements may not exceed 10% of the Company's outstanding common 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	9,184,814	0.27
Vested and released	(4,093,766)	0.27
Forfeited	(74,076)	0.27
Balance – November 30, 2022	**5,016,972**	**$ 0.27**

The weighted average outstanding life of RSUs and DSUs outstanding as at November 30, 2022 is 0.09 years.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

At November 30, 2022 the following RSUs and DSUs were outstanding:

Number of RSUs and DSUs	Grant date
49,232	January 17, 2022
4,877,223	March 1, 2022
90,517	June 17, 2022
5,016,972	

(e) Income (loss) per common share

	November 30, 2022	For the years ended November 30, 2021
Net loss attributable to equity holders of parent	**$ (7,542)**	$ (11,234)
Weighted average shares outstanding		
Basic and diluted	**201,221,147**	182,070,266
Basic and diluted loss per common share	**(0.04)**	(0.06)

16 Stock-based compensation

Accounting Policy

The fair value of stock options granted is measured at the grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss with a corresponding entry within equity, against share-based compensation reserve. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in share-based compensation reserve is credited to share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Explanatory Estimates & Judgements

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, and the volatility of the Company's stock price.

Explanatory information

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.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

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 – November 30, 2022	**7,347,500**	**$ 0.30**

The weighted average outstanding life of stock options outstanding as at November 30, 2022 is 2.04 years.

At November 30, 2022, the following stock options were outstanding:

Number of shares	Options Vested	Exercise price per share	Expiry date
1,500,000	1,500,000	$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	4,920,000	$0.27	February 28, 2025
7,347,500	**7,207,500**	**$0.30**	

(b) Share based payments

During the year ended November 30, 2022, the Company recognized share-based payment expense of $3,597 (November 30, 2021: $473) that was recorded in the consolidated statements of comprehensive loss. The share-based payments represent the fair value of stock options, RSUs, and DSUs granted or vested during the year ended November 30, 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 are recorded as prepaid expenses until the services have been rendered.

17 Net revenue

Accounting Policy

The Company's revenue is comprised of sales of its product line which consists of cannabis.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The Company recognizes revenues on product sales when the performance obligations relating to the sale of its products are satisfied. The performance obligations are satisfied at a point in time when the customer obtains control of the product, which generally occurs under IFRS 15 when the product has been delivered to the customer.

Revenue recognition – Bill-and-hold arrangements

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.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Explanatory information

		For the year ended
	November 30, 2022	November 30, 2021
Recreational revenue	**$ 14,444**	$ 7,827
Bulk cannabis sales	**5,192**	1,350
Medical revenue	**247**	153
Management fees	**266**	169
	$ 20,149	$ 9,499

18 Related party transactions

Accounting Policy

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Explanatory information

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 years ended November 30, 2022 and November 30, 2021 consists of the following:

		For the year ended
	November 30, 2022	November 30, 2021
Salaries and wages	**$ 731**	$ 840
Director fees	**167**	346
Share-based payments	**1,170**	393
	$ 2,068	$ 1,578

Related party balances

As at November 30, 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 year 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 22.

19 Financial instruments

Accounting Policy

Recognition and derecognition

The Company initially recognizes cash, bank advances, accounts receivable, and accounts payable and accrued liabilities on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date when the

Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Classification and measurement

The Company measures financial instruments by grouping them into classes upon initial recognition, based on the purpose of the individual instruments. The Company initially measures all financial instruments at fair value plus, in the case of financial instruments not classified as FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial instruments. The classifications and methods of measurement subsequent to initial recognition of the Company's financial assets and financial liabilities are shown below as at November 30, 2022.

Explanatory information

a) Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, investment in associate, accounts payable, amount due to non-controlling interests, 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 and accounts receivable. At present, the Company holds its cash in Canadian Charted Banks 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. Over 60% of the Company's trade accounts receivable balance at November 30, 2022 is due from a governmental agency. Subsequent to year-end, the Company has collected on the majority of the receivable balance. The Company does not have a history of inability to collect on its trade accounts receivable and all balances due at November 30, 2022, are considered collectible.

As at November 30, 2022, the Company's maximum exposure to credit risk is the carrying value of its financial instruments.

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 November 30, 2022 was $6,764. At November 30, 2022, the Company had accounts receivable of $4,409, accounts payable and accrued liabilities of $2,683, current lease liabilities of $611, long-term lease liabilities of $2,400 and an amount due to non-controlling interests of $11,989. All accounts payable and accrued liabilities are current.

As at November 30, 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.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

The following table summarizes the maturities of the Company's financial liabilities as at November 30, 2022 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 5 years
Accounts payable	$ 2,683	$ 2,683	$ 2,683	$ -
Lease liabilities	3,011	3,838	876	2,961
Amount due to non-controlling interests	11,989	11,989	-	11,989
	$ 17,683	**$ 18,510**	**$ 3,559**	**$ 14,950**

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

	Amortized cost $	Fair Value through Profit or Loss $	Total $
Assets			
Cash	**6,764**	**-**	**6,764**
Accounts receivable	**4,409**	**-**	**4,409**
Marketable securities	**-**	**16**	**16**
Liabilities			
Accounts payable and accrued liabilities	**2,683**	**-**	**2,683**
Lease liabilities	**3,011**	**-**	**3,011**
Amount due to non-controlling interests	**11,989**	**-**	**11,989**

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 November 30, 2022, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and marketable securities, with a fair value of $6,780 (November 30, 2021: $14,313). The Company has no level 2 or 3 financial instruments.

20 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.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

21 Income Tax

Accounting Policy

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive loss except to the extent that it related to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Explanatory Estimates & Judgements

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Explanatory information

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

		2022		2021
Canadian statutory income tax rate		**23 to 27%**		23 to 27%
Income tax (recovery) at statutory rate	**$**	**(1,867)**	$	(1,739)
Permanent differences and others		**991**		(2,191)
Change in unrecognized deferred income tax assets		**1,240**		2,731
Deferred income tax recovery (expense)	**$**	**364**	$	1,199

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

		2022		**2021**
Non-capital losses	**$**	**6,984**	**$**	**6,390**
Biological assets and inventory		**(339)**		**(390)**
Capital assets		**302**		**95**
Intangible assets		**(970)**		**(736)**
Investments		**26**		**401**
Share issuance costs		**265**		**602**
Right-of-use asset		**(768)**		**(126)**
Lease liability		**806**		**156**

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

Unrecognized deferred income tax assets		**(7,411)**		**(6,392)**
Net deferred income tax liability	**$**	**(1,105)**	**$**	**-**

As at November 30, 2022, the Company has non-capital losses carried forward of approximately $26,635 (2021 - $25,400), which are available to offset future years' taxable income. These losses include the losses acquired through the acquisitions and expire as follows:

2033	$	114
2034		672
2035		-
2036		367
2037		878
2038		3,165
2039		4,511
2040		8,510
2041		5,403
2042		3,015

22 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 November 30, 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 November 30, 2022, the final milestone related to Grey Bruce was settled and the Company issued 1,000,000 common shares in connection with the milestone.

GBP

As at November 30, 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.

23 Subsequent events

On December 19, 2022, the Company signed an agreement to acquire the non-controlling interest of 3PL. On February 2, 2023, the Company closed its acquisition of the non-controlling interest of 3PL. The aggregate purchase price was equal to $15,000, consisting of $1,500 in cash, a $9,500 convertible debenture, 22,249,734 common shares and 5,000,000 common share purchase warrants. Pursuant to the terms of the Convertible Debenture, Avant is required to repay the principal amount of $9,500,000 in quarterly installments of $1,583,333 commencing on April 28, 2023. Due to the timing of the acquisition, the Company has not completed the fair value measurements. The Company will continue to review information and perform further analysis prior to finalizing the allocation of the consideration paid to the fair value of the asset acquired and liabilities assumed.

On December 8, 2022, the Company's joint venture, Avant K1, signed an agreement to acquire The Flowr Group Okanagan ("Flowr Okanagan"). On February 3, 2023, Avant K1 closed its acquisition of Flowr Okanagan. The aggregate purchase price for the Purchased Shares was equal to $5,115, consisting of $3,850 payable in cash and 7,402,186 common shares, plus the amount of the Closing Debtor-In-Progress Loan and the value of the Assumed Liabilities. Due to the timing of the acquisition, the Company has not completed the fair value measurements. The Company will continue to review information and perform further analysis prior to finalizing the allocation of the consideration paid to the fair value of the asset acquired and liabilities assumed.