AVANT

April 13, 2022

Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian dollars)

First Quarter – February 28, 2022

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AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Financial Position

As at February 28, 2022 and November 30, 2021

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

	Note	February 28, 2022	November 30, 2021
Assets			
Current assets			
Cash and cash equivalents		**$ 11,651**	$ 14,313
Accounts receivable	4	**4,052**	2,348
Prepaid expenses	5	**1,228**	1,210
Biological assets	6	**2,008**	1,948
Inventory	7	**6,339**	6,171
Marketable Securities		**59**	176
		25,337	26,166
Property, plant and equipment	8	**16,860**	17,069
Goodwill	9	**182**	182
Intangible assets	9	**2,833**	3,202
Investment in associate	10	**4,945**	3,951
Total assets		**$ 50,157**	$ 50,570
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	**$ 2,216**	$ 2,073
Lease liabilities	11	**339**	322
		2,555	2,395
Lease liabilities	11	**201**	301
Total liabilities		**2,756**	2,696
Shareholders' equity			
Share capital	12	**93,024**	92,744
Contributed surplus	13	**6,619**	6,877
Accumulated deficit		**(52,242)**	(51,747)
Total shareholders' equity		**47,401**	47,874
Total liabilities and shareholders' equity		**$ 50,157**	$ 50,570

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 18)

Subsequent events (Note 19)

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

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

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

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

For the three-month periods ended February 28, 2022 and February 28, 2021

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

	Note	February 28, 2022	February 28, 2021
Revenue		$ **4,614**	$ 2,229
Excise taxes		**(417)**	(259)
Net revenue	14	**4,197**	1,970
Cost of sales		**3,243**	1,159
Gross margin before fair value changes		**954**	811
Unrealized gain on changes in fair value of biological assets		**822**	1,691
Change in fair value of biological assets realized through inventory sold		**(1,081)**	(764)
Gross margin		**695**	1,738
Operating expenses			
Administration and general		**69**	90
Business fees and licenses		**219**	173
Consulting fees		**136**	-
Depreciation and amortization	8,9	**420**	284
Management fees		**28**	65
Marketing and advertising		**92**	92
Professional fees		**222**	127
Salaries and wages		**500**	443
Share based payments	13	**22**	76
Travel		**38**	20
		1,746	1,370
Net (loss) income from operations		**(1,051)**	368
Other income (expense)			
Canadian emergency wage subsidy		**-**	515
Loss on marketable securities		**(117)**	-
Financing costs		**(12)**	(37)
Equity income (loss) on investment in associate	10	**581**	(130)
Gain on legal settlement		**104**	-
Interest and accretion		**-**	(463)
Net (loss) income before income tax		**(495)**	253
Deferred income tax expense		**-**	-
Net (loss) income from continuing operations		**(495)**	253
Net income from discontinued operations		**-**	562
Net (loss) income and comprehensive (loss) income		$ **(495)**	$ 815
(Loss) gain per common share			
Basic and fully diluted		$ **(0.00)**	$ 0.01
Weighted average shares outstanding			
Basic and fully diluted		**200,502,997**	141,251,398

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

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Changes in Equity

For the three-month periods ended February 28, 2022 and February 28, 2021

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

	Attributable to equity holders of the Company					
	Shares (000's)	**Share capital**	**Subscriptions received**	**Contributed Surplus**	**Deficit**	**Total**
Balance at November 30, 2021	**199,591,886**	**$ 92,744**	**$ -**	**$ 6,877**	**$ (51,747)**	**$ 47,874**
Net income for the period	-	-	-	-	(495)	(495)
Shares issued for contingent consideration for acquisitions	1,000,000	280	-	(280)	-	-
Share-based compensation	-	-	-	22	-	22
Balance at February 28, 2022	**200,591,886**	**$ 93,024**	**$ -**	**$ 6,619**	**$ (52,242)**	**$ 47,401**
Balance at November 30, 2020	**140,723,195**	**$ 62,214**	**$ 85**	**$ 6,526**	**$ (40,405)**	**$ 28,420**
Net income for the period	-	-	-	-	815	815
Subscriptions received	-	-	858	-	-	858
Shares issued for contingent consideration for acquisitions	795,454	437	-	-	(437)	-
Share-based compensation	-	-	-	76	-	76
Exercise of warrants	1,090,898	600	-	-	-	600
Exercise of stock options	1,143,000	377	(85)	-	-	292
Shares issued for debt settlement	3,650,646	2,336	-	(555)	-	1,781
Balance at February 28, 2021	**147,403,193**	**$ 65,964**	**$ 858**	**$ 6,047**	**$ (40,027)**	**$ 32,842**

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

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Cash Flows

For the three-month periods ended February 28, 2022 and February 28, 2021

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

	February 28, 2022	February 28, 2021
Cash flows from operating activities		
Net (loss) income from continuing operations	$ (495)	$ 253
Items not affecting cash:		
Accretion expense	-	163
Depreciation and amortization	745	433
Equity (income) loss on investment in associate	(581)	130
Financing costs	12	54
Gain on lease modification	-	(62)
Share-based payments	22	76
Unrealized gain on changes in fair value of biological assets	(822)	(927)
Change in fair value of biological assets realized through inventory sold	1,081	-
Loss on marketable securities	117	-
	79	120
Change in non-cash operating working capital:		
Accounts receivable	(1,704)	10
Prepaid expenses	(18)	(61)
Biological assets	(319)	85
Inventory	(168)	(822)
Accounts payable and accrued liabilities	143	(32)
Net cash flows used in operating activities	(1,987)	(700)
Net cash flows from operating activities of discontinued operations	-	562
	(1,987)	(138)
Cash flows from investing activities		
Investments in associates	(413)	(334)
Purchase of property and equipment	(167)	(32)
	(580)	(366)
Cash flows from financing activities		
Options and warrants exercised for cash	-	892
Lease liability payments	(95)	(134)
Proceeds from subscriptions received	-	858
Repayment of convertible debentures	-	(125)
Due to related parties	-	37
	(95)	1,528
(Decrease) increase in cash and cash equivalents	(2,662)	1,024
Cash and cash equivalents – beginning of period	14,313	625
Cash and cash equivalents – end of period	$ 11,651	$ 1,649

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

1 Nature and continuance of operations

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

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

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

The Company has incurred losses since its inception and has an accumulated deficit of $52,242 as at February 28, 2022, that has been funded primarily by issuance of equity, convertible debentures and advances from related parties. There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to generate profitable operations or raise adequate financing in the future.

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus ("COVID-19"), a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

The production and sale of cannabis have been recognized as essential services across Canada; however, COVID-19 related challenges have persisted, including, but not limited to, reduced staffing levels, production inefficiencies resulting from increased health and safety measures, and limited supply chain issues.

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

2 Basis of presentation

Statement of compliance and basis of measurement

The condensed interim consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the IASB. The condensed interim 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, which 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 condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors of the Company on April 13, 2022.

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

Basis of consolidation

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

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

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

Significant Accounting Policies

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

Revenue Recognition

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

3 Adoption of new accounting pronouncements

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

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

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

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

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

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

2023. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

4 Accounts receivable

As of February 28, 2022 and November 30, 2021, accounts receivable consisted of:

		February 28, 2022		November 30, 2021
Trade accounts receivable	**$**	**3,823**	$	2,107
Government assistance receivable		**-**		159
Other receivables		**229**		82
	$	**4,052**	$	2,348

5 Prepaid expenses

As of February 28, 2022 and November 30, 2021, prepaid expenses consisted of:

		February 28, 2022		November 30, 2021
Insurance	**$**	**304**	$	435
Regulatory fees		**612**		124
Packaging material prepayments		**83**		405
Deposits and other		**229**		246
	$	**1,228**	$	1,210

6 Biological assets

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

The changes in the carrying value of biological assets for the three months ended February 28, 2022 and the year ended November 30, 2021 are as follows:

		February 28, 2022		November 30, 2021
Carrying amount, opening	**$**	**1,948**	$	1,884
Production costs		**1,426**		8,369
Changes in fair value less costs to sell due to biological transformation		**778**		1,473
Transferred to inventory upon harvest		**(2,144)**		(9,778)
	$	**2,008**	$	1,948

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

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

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

On average, the growth cycle is between 14 to 17 weeks and the Company expects average yield per plant to be between 71 to 99 grams of harvested flower and 10 to 19 grams of harvested trim. As at February 28, 2022, it is estimated that the Company's biological assets will yield approximately 507,626 grams of flower and 89,465 grams of trim when harvested.

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

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 February 28, 2022, a change of 10% or less in the estimated yield per plant, growth cycle and selling price of dry cannabis would not result in a significant variance in the fair value of biological assets or inventory.

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

7 Inventory

The Company's inventories are comprised of the following balances as at February 28, 2022 and November 30, 2021:

		February 28, 2022		November 30, 2021
Dry cannabis	**$**		$	
Available for packaging		**4,281**		**4,835**
Packaged inventory		**716**		**854**
Trim		**219**		**193**
Concentrates		**175**		**82**
Packaging Materials		**948**		**207**
	$	**6,339**	$	**6,171**

As at February 28, 2022, the Company had dry cannabis with a carrying value of $4,997 (November 30, 2021: $5,689) and harvested trim with a carrying value of $219 (November 30, 2021: $193).

The Company holds 1,940,458 grams of harvested cannabis (November 30, 2021: 2,238,143), which is comprised of 842,990 grams of harvested flower and 1,097,469 grams of harvested trim.

During the period ended February 28, 2022, the Company recorded $2,092 of production costs (February 28, 2021: $1,808). Included in the production costs for the period ended February 28, 2022 was $325 of amortization of property and equipment and right-of-use assets (February 28, 2021 $149).

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

8 Property, plant and equipment

	Land	Buildings	Construction in-process	Growing & processing equipment	Right-of-use asset	Other	Total
Cost							
Balance - November 30, 2020	$ 1,348	$ 9,204	$ 2,915	$ 5,358	$ 1,151	$ 1,384	$ 21,360
Additions	-	31	286	268	-	9	594
Lease modification	-	-	-	-	(34)	-	(34)
Reclassification	-	-	-	(419)	-	(50)	(469)
Balance - November 30, 2021	1,348	9,235	3,201	5,207	1,117	1,343	21,451
Additions	-	3	145	18	-	1	167
Balance – February 28, 2022	1,348	9,238	3,346	5,225	1,117	1,344	21,618
Accumulated amortization							
Balance - November 30, 2020	-	(956)	-	(1,096)	(325)	(686)	(3,063)
Additions	-	(484)	-	(544)	(312)	(263)	(1,603)
Reclassification	-	-	-	232	26	26	284
Balance - November 30, 2021	-	(1,440)	-	(1,408)	(611)	(923)	(4,382)
Additions	-	(121)	-	(130)	(63)	(62)	(376)
Balance – February 28, 2022	-	(1,561)	-	(1,538)	(674)	(985)	(4,758)
Net book value							
November 30, 2021	**$ 1,348**	**$ 7,795**	**$ 3,201**	**$ 3,799**	**$ 506**	**$ 420**	**$ 17,069**
February 28, 2022	**1,348**	**7,677**	**3,346**	**3,687**	**443**	**359**	**16,860**

During the period ended February 28, 2022, the Company allocated $325 (February 28, 2021: $119) of amortization expense to cost of inventory.

9 Intangible assets and goodwill

	Intangible asset	Goodwill
Balance - November 30, 2020	8,102	1,092
Impairment	(4,900)	(910)
Balance - November 30, 2021	**3,202**	**182**
Depreciation	(369)	-
Impairment	-	-
Balance – February 28, 2022	**2,833**	**182**

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

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

Significant assumptions are used in calculating the recoverable amount of the CGU tested for impairment. The significant assumptions in the DCF analysis were as follows:

- Discount rate: The Company used post-tax discount rates of 15% to 17% which is reflective of an industry Weighted Average Cost of Capital ("WACC"). The WACC was estimated based on the risk-free rate, equity risk premium, a size premium and company specific risk, and after-tax cost of debt based on corporate bond yields.
- Projected cash flows: The estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends. The estimated cash flows were projected based on the assumption that the facility and equipment would be operated at its full capacity and was based on estimated sales prices per gram ranging from $7.28 declining to $6.71 and cost per gram ranging from $2.37 to $4.48 increasing over a period of five years.
- Terminal value growth rate: The Company applied a terminal growth rate of 2.5% which is based on historical and projected consumer inflation, historical and projected economic indicators and projected industry growth.

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

10 Investment in associate

		February 28, 2022		November 30, 2021
Opening balance	**$**	**3,951**	$	2,666
Cash advanced under shareholder loan		**413**		1,555
Equity gain (loss) on investment		**614**		(270)
Deferred profit on unsold inventory		**(33)**		-
	$	**4,945**	$	3,951

During the year ended November 30, 2018, the Company acquired 49% of the issued and outstanding common shares of 3PL Ventures Inc. ("3PL"). The Company paid $49 cash and issued 1,225,490 common shares of the Company pursuant to a series of agreements related to the acquisition of the Company's interest in 3PL (together, the "Purchase Agreement") with its one other shareholder. The other shareholder of 3PL shall 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 the Standard Cultivation, Standard Processing and Medical Sales Licenses, in accordance with Health Canada's Cannabis Act and Regulations.

The Company committed to advance a shareholder loan of up to $1,000 to fund the completion of the facility. As of February 28, 2022, the Company has advanced $3,313 (November 30, 2021: $2,900) to 3PL, which is included within the non-current liabilities of 3PL below.

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

Statement of Financial Position as at		**February 28, 2022**		November 30, 2021
Cash and cash equivalents	**$**	**120**	$	246
Biological assets and inventory		**2,739**		632
Other current assets		**373**		82
Property, plant and equipment		**11,257**		11,587
Current liabilities		**1,113**		873
Non-current liabilities		**14,839**		14,389

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

Statement of loss and comprehensive loss for the three months ended		February 28, 2022		February 28, 2021
Revenue	$	**226**	$	-
Cost of goods sold		**(271)**		-
Unrealized gain on changes in fair value of biological assets		**1,596**		-
Operating and administrative expenses		**(298)**		(265)
Net loss and comprehensive loss		**1,253**		(265)

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

Period ending:		
2022		429
2023		334
	$	**763**

11 Lease liability

The following is the continuity of lease liability, for the period ended February 28, 2022:

Balance – November 30, 2020	**916**
Lease payments	(391)
Lease modification – change in lease terms	(34)
Interest expense on lease liability	132
Balance – November 30, 2021	**623**
Lease payments	(108)
Interest expense on lease liability	25
Balance – February 28, 2022	**540**
Current portion	**339**
Long-term portion	**201**

The Company recognized right-of-use assets and a corresponding lease liability upon the adoption of IFRS 16 related to its facility premises and corporate office. Amortization on the right-of-use asset is calculated over the term of the lease. Interest expense of $25 (February 28, 2021: $37) is included in financing costs and payments are applied against the lease liability.

12 Share capital

The Company has an unlimited number of voting and non-voting common shares without par value authorized for issuance. The Company also has an unlimited number of non-voting redeemable preference shares with varying par values authorized for issuance.

(a) Issued shares

During the period ended February 28, 2022:

- The Company issued 1,000,000 common shares with a fair value of $280 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones (note 18).

During the period ended February 28, 2021:

- The Company issued 795,454 common shares with a fair value of $437,500 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones.

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

- The Company issued 1,090,898 common shares pursuant to the exercise of warrants for gross proceeds of $600.
- The Company issued 1,143,000 common shares pursuant to the exercise of stock options for gross proceeds of $292.
- The Company issued 3,650,646 common shares pursuant to the conversion of the Invictus Convertible Note. The Company also reallocated $555 from contributed surplus in connection with the full conversion of the note.

(b) Escrow shares

As at February 28, 2022 there were 3,279,381 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
April 30, 2022	403,508	2,875,873
June 8, 2022	355,856	2,520,017
October 30, 2022	403,508	2,116,509
December 8, 2022	355,855	1,760,654
April 30, 2023	403,512	1,357,142

Of the common shares held in escrow summarized in the table above, as at February 28, 2022 there were:

- 1,357,142 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events.
- 711,711 common shares held in escrow pursuant to the debt financing, which are subject to a three-year release schedule, with 355,856 shares being released each six-month period.
- 1,210,528 common shares held in escrow pursuant to the debt financing, which are subject to a three-year release schedule, with 403,508 shares being released each six-month period.

(c) Share purchase warrants

Warrant transactions are summarized as follows:

	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 February 28, 2022	**36,816,250**	**$ 0.90**

The weighted average outstanding life of warrants outstanding as at February 28, 2022 is 2.07 years.

At February 28, 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		

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

(d) Restricted Stock Units and Deferred Stock Units ("RSUs" and "DSUs")

RSUs and DSUs are granted to the Company's directors, officers, and employees as a part of compensation under the terms of the Company's deferred and restricted share unit plans. Each RSU and DSU entitles the participant to receive the value of one Common Share of the Company. The maximum number of awards of RSUs, DSUs and all other security based compensation arrangements shall not exceed 10% of the Company's outstanding shares.

The number of RSUs and DSUs awarded and underlying vesting conditions are determined by the Board of Directors 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 grant price
Balance – November 30, 2021 and 2020	-	$ -
Granted	123,077	0.33
Balance – February 28, 2022	**123,077**	**$ 0.33**

The weighted average outstanding life of RSUs and DSUs outstanding as at February 28, 2022 is 0.41 years.

At February 28, 2022 the following RSUs and DSUs warrants were outstanding:

Number of RSUs and DSUs	Grant date
123,077	January 17, 2022
123,077	

13 Stock-based compensation

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

(a) Stock options

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants. Under the Plan, the Company may grant options that shall 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 can 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 of Directors.

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**
Expired/cancelled	(850,000)	0.60
Balance – February 28, 2022	**2,687,500**	**$ 0.36**

The weighted average outstanding life of stock options outstanding as at February 28, 2022 is 2.35 years.

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

At February 28, 2022, the following stock options were outstanding:

Number of shares	Options Vested	Exercise price per share	Expiry date
1,750,000	1,450,000	$0.34	August 14, 2024
100,000	100,000	$0.30	September 25, 2024
537,500	537,500	$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
2,687,500	**2,387,500**		

(b) Share based payments

During the period ended February 28, 2022, the Company recognized share-based payment expense of $22 (February 28, 2021: $76) that was recorded in the condensed interim consolidated statements of comprehensive loss. The share-based payments represent the fair value of stock options granted or vested during the period ended February 28, 2022 and are 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 service period has lapsed.

14 Net Revenue

		February 28, 2022		February 28, 2021
Recreational revenue	**$**	**2,531**	$	1,570
Bulk cannabis sales		**1,507**		391
Medical revenue		**57**		9
Management fees and other revenue		**102**		-
	$	**4,197**	$	1,970

15 Related party transactions

Key management compensation

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

Key management compensation for the periods ended February 28, 2022 and February 28, 2021 consists of the following:

		February 28, 2022		February 28, 2021
Salaries and wages	**$**	**197**	$	174
Director fees		**37**		15
Share-based payments		**22**		31
	$	**256**	$	220

Related party balances

As at February 28, 2022, accounts payable included $nil (November 30, 2021: $460) which was due to directors of the Company in connection with directors' fees.

Related party transactions

During the period ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce Farms Incorporated ("Grey Bruce"), 1118157 B.C. Ltd. ("1118 BC"), Zenalytic Laboratories Ltd. ("Zenalytic") and GreenTec Bio-Pharmaceuticals Inc. ("Bio-Pharma"). Each one of these entities was under common control with Mr. Singhavon and/or Mr. Blady. Certain milestones within these agreements remain outstanding and are disclosed under note 18.

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

16 Financial instruments

a) **Financial instruments**

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

i) Credit risk

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

As at February 28, 2022, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

ii) Currency risk

The Company operates primarily in Canadian dollars and as such is not 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 of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors 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

1. The Company's cash and cash equivalents balance at February 28, 2022 was in the amount of $11,651. At February 28, 2022, the Company had accounts receivable of $4,052, accounts payable and accrued liabilities of $2,216, current lease liabilities of $339, long term lease liabilities of $201. All accounts payable and accrued liabilities are current.
2. As at February 28, 2022, the Company did not have derivative financial liabilities with contractual maturities.
3. 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 capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The following table summarizes the maturities of the Company's financial liabilities as at February 28, 2022 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 5 years
Accounts payable	$ 2,216	$ 2,216	$ 2,216	$ -
Lease liabilities	540	616	403	213
	$ 2,756	**$ 2,832**	**$ 2,619**	**$ 213**

b) **Interest rate risk**

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

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

c) **Fair value classification of financial instruments**

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

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

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

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

At February 28, 2022, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and investments, with a fair value of $11,651 (November 30, 2021: $14,313).

17 Capital management

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

18 Commitments and contingencies

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. As of February 28, 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 February 28, 2022, the final milestone related to Grey Bruce was achieved and the Company issued 1,000,000 common shares in connection with the milestone.

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

GreenTec Bio-Pharmaceuticals Inc. ("GBP")

As at February 28, 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 Mr. Singhavon.

19 Subsequent Events

Subsequent to the end of the quarter, the Company granted 5,095,000 stock options, 6,435,188 RSUs, and 2,354,998 DSUs to employees, officers and directors of the Company. The stock options have an expiry of three years, and the RSUs and DSUs vest over one year (refer to Note 12).