AVANT

February 24, 2022

Consolidated Financial Statements

(Audited - Expressed in Canadian dollars)

Year Ended – November 30, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Avant Brands Inc. ("Avant" or the "Company") have been prepared by the Company's management in accordance with International Financial Reporting Standards and contain estimates based on management's judgement. Internal control systems are maintained by management to provide reasonable assurance that assets are safe-guarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis.

The Audit Committee review the results of the annual audit and reviews the consolidated financial statements prior to their submission to the Board of Directors for approval. The consolidated financial statements as at November 30, 2021 and 2020, and for the years ended then have been audited by Manning Elliot LLP, an independent registered public accounting firm, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Norton Singhavon"	*"Matthew Whitt"*
Norton Singhavon Chief Executive Officer	Matthew Whitt Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors 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 statements of financial position as at November 30, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at November 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 for the year ended November 30, 2021. 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.

Impairment of goodwill and intangible assets

We draw attention to Notes 3(a)(e)(g) and 11 of the accompanying Financial Statements.

Goodwill and indefinite-lived intangible assets are not amortized but are evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined by assessing if the carrying value of a cash generating unit ("CGU") or intangible asset exceeds its recoverable amount. Significant assumptions are used in calculating the recoverable amounts of the CGU and indefinite-lived intangible asset tested for impairment and included projected cash flows, terminal value growth rate and discount rate.

We identified the evaluation of the impairment of goodwill and intangible assets as a key audit matter as significant auditor judgment and the involvement of professionals with specialized skills and knowledge were required to evaluate the Company's methods and use of estimates, assumptions and judgements in estimating the recoverable amounts of the CGU and intangible assets.

Our audit response to the key audit matter was as follows:

- We compared the annual revenues projected by management to historical performance, the production capacity of the CGU, and industry trends to assess reasonability.
- We compared the annual operating costs and costs of sales projected by management to historical performance.
- With the assistance of our internal valuation specialist:
  - We evaluated whether the valuation techniques used in estimating the recoverable amounts were appropriate.
  - We evaluated the discount rates used by comparing them to a range developed by using publicly available information for comparable companies.

<u>Valuation of biological assets and cannabis inventory</u>

We draw attention to Notes 3(b)(c), 7 and 8 of the accompanying Financial Statements. Biological assets are measured at fair value less cost to sell up to the point of harvest. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. The Company values inventories at the lower of cost and net realizable value.

The significant assumptions used to determine the fair value of cannabis plants include stage of growth, duration of the production cycle, expected yield, and market value less selling costs.

We identified the assessment of the measurement of the fair value of biological assets and net realizable value of cannabis inventory as a key audit matter as a high degree of auditor judgment was required to evaluate the significant assumptions and estimates made by management.

Our audit response to the key audit matter was as follows:

- We tested the stage of growth and duration of the production cycle by observing the plants at year-end.
- We tested the average expected yield per plant by comparing actual results of the current year to historical results of operations.
- We tested the market value by comparing estimated selling prices used by management to prices in sales during the year and subsequent to year-end.
- We also tested the net realizable value of inventory by comparing the carrying value of inventory to the prices in sales that occurred near and subsequent to year-end.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the 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 Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 auditors' report to the related disclosures in the 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 auditors' 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 Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Waseem Javed.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
February 24, 2022

AVANT BRANDS INC.

Consolidated Statements of Financial Position

As at November 30, 2021 and November 30, 2020

(Expressed in Thousands of Canadian Dollars)

	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents		$ 14,313	$ 625
Accounts receivable	5	2,348	2,067
Prepaid expenses	6	1,210	446
Biological assets	7	1,948	1,884
Inventory	8	6,171	4,973
Assets held for sale	9	-	541
Marketable Securities	13	176	-
		26,166	10,536
Property, plant and equipment	10	17,069	18,297
Goodwill	11	182	1,092
Intangible assets	11	3,202	8,102
Investment in associate	12	3,951	2,666
Promissory notes receivable		-	107
Total assets		$ 50,570	$ 40,800
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 2,073	$ 2,488
Convertible notes	15	-	276
Current portion of long-term debt	16	-	1,686
Due to related parties	19	-	602
Lease liabilities	14	322	267
Lease liabilities, assets held for sale	14	-	596
		2,395	5,915
Convertible notes	15	-	1,592
Deferred income tax	24	-	1,199
Long-term debt	16	-	3,025
Lease liabilities	14	301	649
Total liabilities		2,696	12,380
Shareholders' equity			
Share capital	17	92,744	62,214
Subscriptions		-	85
Contributed surplus	18	6,877	6,526
Accumulated deficit		(51,747)	(40,405)
Total shareholders' equity		47,874	28,420
Total liabilities and shareholders' equity		$ 50,570	$ 40,800

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 23)

Approved on behalf of the Board on February 24, 2022:

/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, 2021 and November 30, 2020

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note		2021		2020
Revenue		$	11,004	$	8,804
Excise taxes			(1,505)		(897)
Net revenue			9,499		7,907
Cost of sales	8		(5,838)		(3,938)
Gross margin before fair value changes			3,661		3,969
Unrealized (loss) gain on changes in fair value of biological assets			(1,762)		2,183
Gross margin			1,899		6,152
Operating expenses					
Administration and general			391		533
Business fees and licenses			1,038		553
Consulting fees			340		-
Depreciation and amortization	10		915		1,091
Management fees			291		205
Marketing and advertising			202		208
Professional fees			1,261		742
Salaries and wages			2,292		1,731
Share based payments	18		473		722
Travel			91		85
			(7,294)		(5,870)
Net (loss) income from operations			(5,395)		282
Other income (expense)					
Canadian emergency wage subsidy	5		1,639		1,656
Financing costs			(68)		(94)
Equity loss on investment in associate	12		(270)		(426)
Gain (loss) on sale of assets and investments	13		(142)		331
Impairment of goodwill and intangibles	11		(5,810)		(8,384)
Loss on extinguishment of loan	16		(1,024)		-
Loss on debt modification			-		(118)
Loss on marketable securities			(74)		-
Provision for doubtful receivables			(106)		(292)
Interest and accretion			(1,080)		(1,500)
Net loss before income tax			(12,330)		(8,545)
Deferred income tax recovery (expense)			1,199		(1,199)
Net loss from continuing operations			(11,131)		(9,744)
Net loss from discontinued operations			(103)		(427)
Net loss and comprehensive loss		$	(11,234)	$	(10,171)
Loss per common share					
Basic and fully diluted		$	(0.06)	$	(0.08)
Weighted average shares outstanding					
Basic and fully diluted			182,070,266		134,612,717

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, 2021 and November 30, 2020

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

		Attributable to equity holders of the Company				
	Shares	**Share capital**	**Subscriptions received**	**Contributed Surplus**	**Deficit**	**Total**
Balance at November 30, 2019	126,684,777	$ 59,912	$ 85	$ 6,096	$ (29,685)	$ 36,408
Net loss for the period	-	-	-	-	(10,171)	(10,171)
Share issuance costs	-	(33)	-	-	-	(33)
Shares issued and issuable for contingent consideration	8,454,545	1,149	-	(189)	(985)	(25)
Shares issued for debt financing	4,556,187	698	-	409	-	1,107
Shares cancelled from escrow	(1,719,167)	-	-	-	-	-
Adjustment to contributed surplus upon modification and maturity of convertible debenture	-	-	-	(154)	436	282
Exercise of stock options	300,000	119	-	(29)	-	90
Shares issued for debt settlement	546,853	74	-	-	-	74
Share based payments	1,900,000	295	-	393	-	688
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)
Shares issued for cash	42,500,000	24,600	-	1,150	-	25,750
Share 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 upon conversion of convertible debt	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, 2021 and November 30, 2020

(Expressed in Thousands of Canadian Dollars)

	2021	2020
Cash flows from operating activities		
Net loss from continuing operations	$ (11,131)	$ (9,744)
Items not affecting cash:		
Accretion expense	251	1,040
Depreciation and amortization	1,603	1,257
Deferred income tax expense	(1,199)	1,199
Equity loss on investment in associate	270	426
Financing costs (lease)	150	183
Loss on extinguishment of debt	1,024	-
Loss (gain) on sale of assets and investments	142	(331)
Impairment of goodwill and intangible asset	5,810	8,384
Loss on modification of convertible debenture	-	118
Provision for doubtful receivable	106	292
Gain on lease modification	(62)	-
Share based payments	-	722
Shares issued for services	165	-
Impairment of inventory	891	-
Unrealized loss (gain) on biological assets	871	(2,183)
Loss on marketable securities	74	-
	(1,035)	1,363
Change in non-cash operating working capital:		
Accounts receivable	(281)	(680)
Prepaid expenses	(764)	7
Biological assets	(407)	(931)
Inventory	(2,617)	(1,551)
Accounts payable and accrued liabilities	(416)	1,057
Net cash flows used in operating activities	(5,520)	(735)
Net cash flows from operating activities of discontinued operations	(103)	(224)
	(5,623)	(959)
Cash flows from investing activities		
Deposits paid	-	(91)
Investments in associates	(1,555)	(1,345)
Proceeds from promissory notes	-	290
Proceeds from the sale of property and equipment	500	945
Acquisition of property and equipment	(594)	(761)
	(1,649)	(962)
Cash flows from financing activities		
Proceeds from exercise of options and warrants	3,868	90
Lease liability payments	(427)	(418)
Proceeds from issuance of common shares	25,401	-
Repayment of convertible debentures	(125)	(5,210)
Repayment of long-term debt	(5,949)	(302)
Due to related parties	(252)	602
Proceeds from loan	-	5,873
Cash paid for contingent consideration	-	(25)
Share issuance cost	(1,556)	(33)
	20,960	577
Increase (decrease) in cash and cash equivalents	13,688	(1,344)
Cash and cash equivalents – beginning of period	625	1,969
Cash and cash equivalents – end of period	**$ 14,313**	$ 625

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 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 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 $51,747 as at November 30, 2021, 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 raise adequate financing and to generate profitable operations 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 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 consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the 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 on February 24, 2022.

(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. (“GBP”)	100%
GreenTec Retail Ventures Inc.	100%
Grey Bruce Farms Incorporated (“Grey Bruce”)	100%
Spectre Labs Inc.	100%
Tumbleweed Farms Corp. (“Tumbleweed”)	100%
1203648 B.C. Ltd. (“1203648BC”)	100%

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or 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.

During the year ended November 30, 2021, the Company sold 100% of the issued and outstanding shares its wholly owned subsidiary, Zenalytic Laboratories Ltd. for gross proceeds of $300 (see Note 13(c)).

3 Significant accounting policies

a) Significant accounting judgments and estimate

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

<u>Inventory</u>

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 and post harvest costs initially capitalized to biological assets prior to transfer to inventory. 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.

<u>Biological assets</u>

Biological assets recognized by the Company are cannabis plants that are in the flowering stage but not yet harvested. The Company capitalizes costs related to the cultivation of cannabis including labour, direct overheads, amortization of machinery and growing materials in addition to indirect costs such as utilities and other overhead costs attributable to cultivation. All costs are transferred to inventory at the point of harvest at the fair value less cost to sell. There are a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant.

Estimated useful lives and impairment considerations

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 take into account factors such as economic and market conditions and the useful lives of assets.

Intangible assets

The Company recognizes certain externally acquired licenses, permits and applications to have an indefinite life and is thus not being amortized. Intangible assets are assessed annually for potential impairment losses and carried net of these losses.

Goodwill

The excess of the purchase price paid for the acquisition of a subsidiary over the fair value of the net tangible assets and the intangible assets acquired is classified to goodwill. Goodwill is assessed annually for potential impairment losses and carried net of these losses.

Business combinations

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

Investments in associates

Management exercises judgment in determining whether the Company has acquired control or significant influence over an entity. An assessment of control or significant influence is performed at the inception of a relationship between any 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 control or significant influence over an investee if facts and circumstances indicate there are changes to one or more of the conditions of control or significant influence.

Share-based compensation and warrants

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. In calculating the fair value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the common share, and the risk-free interest rate.

Deferred tax assets and liabilities

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.

Going concern

Management applies judgment in its evaluation of the Company's ability to continue as a going concern.

b) Biological assets

While the Company's biological assets, consisting of cannabis plants, 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, 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.

c) Inventory

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 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.

d) Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

e) Intangible assets

Intangible assets consist mainly of licenses acquired by the Company. Acquired licenses are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for 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. The Company acquired certain licenses through its acquisition of Alberta Craft Cannabis Inc. during the year ended November 30, 2018, which have been deemed to have an indefinite life.

Estimated useful lives of intangible assets are 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 Company does not have any intangible assets with a definitive life.

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 CGU to which the asset belongs.

f) Business combinations

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.

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 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.

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

h) Property and equipment

Property and equipment is measured at cost less accumulated amortization and impairment losses. The Company uses the following amortization rates for its property 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
Laboratory and manufacturing equipment	5-8 years	Straight line

Certain of the Company’s property and equipment have not yet been put into use and as a result useful lives have not yet been determined and no amortization has been recorded to date on this property and equipment.

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.

i) Investments in associates

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. In instances where the Company does not exercise significant influence, the investments are initially recognized at cost and subsequent to initial recognition, the carrying value of the investment is assessed for impairment using the cost method.

j) Revenue recognition

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

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

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 occurs under IFRS 15 when the product has been delivered to the customer.

k) Cash and cash equivalents

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

l) Income taxes

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.

m) Financial instruments

Financial Instrument Type	Classification and subsequent measurement under IFRS 9
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Amortized cost
Marketable securities	Fair value through profit or loss
Promissory notes receivable	Amortized cost
Deposits	Amortized cost
Accounts payable	Amortized cost
Convertible notes	Amortized cost
Lease liabilities	Amortized cost

<u>Financial assets</u>

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of comprehensive loss.

Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the statement of comprehensive loss.

Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of comprehensive loss.

Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of loss and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of comprehensive loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of loss and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of comprehensive loss.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, are cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

n) Share capital

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.

o) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

p) Provisions

The Company recognizes a provision when all of these conditions are met:

- an entity has present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

In certain asset acquisitions, the Company provides consideration that is contingent on uncertain future events of which the existence will be confirmed only by the occurrence or non-occurrence of one or more future events. These events are typically in control of management and as a result do not meet the definition of a financial liability until the events have occurred. As a result, a contingent consideration in these situations is not measured until the event occurs.

q) Share-based payments

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.

r) Lease liabilities

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 so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 and sales and marketing expense 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.

s) Reclassifications

Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current year's presentation on the consolidated statements of financial position and comprehensive loss.

4 Adoption of new accounting pronouncements

a) New IFRS Standards that are effective for the current year:

(i) Amendments to IFRS 3, Business combination ("IFRS 3")

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments provide an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company adopted this amendment on December 1, 2020 and has determined that there has been no material impact to the Company's consolidated financial statements.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

b) 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.

5 Accounts receivable

As of November 30, 2021 and November 30, 2020, accounts receivable consisted of:

		November 30, 2021		November 30, 2020
Trade accounts receivable	**$**	**2,107**	$	1,497
Government assistance receivable		**159**		566
Other receivables		**82**		4
	$	**2,348**	$	2,067

During the year ended November 30, 2021, the Company applied for the Canada Emergency Wage Subsidy ("CEWS"). The Company recorded other income of $1,639 (November 30, 2020: $1,656) in relation to the CEWS, with $45 (November 30, 2020: $Nil) included in net income (loss) from discontinued operations. As at November 30, 2021, the Company had a balance receivable of $159.

6 Prepaid expense and deposit

As of November 30, 2021 and 2020, prepaid expenses consisted of:

		2021		2020
Insurance	**$**	**435**	$	251
Regulatory fees		**124**		-
Packaging material prepayments		**405**		-
Deposits and other		**246**		195
	$	**1,210**	$	446

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

7 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 years ended November 30, 2021 and 2020 were as follows:

		November 30, 2021		November 30, 2020
Carrying amount, opening	**$**	**1,884**	$	809
Production costs		**8,369**		6,727
Changes in fair value less costs to sell due to biological transformation		**1,473**		4,539
Transferred to inventory upon harvest		**(9,778)**		(10,191)
	$	**1,948**	$	1,884

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

- Expected yield;
- 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 November 30, 2021, it is estimated that the Company's biological assets will yield approximately 471,158 grams of flower and 88,549 grams of trim when harvested.

The Company has determined the average fair value less cost to sell to be $3.90 per gram to $4.38 per gram of flower and $0.15 to $0.25 per gram of trim. As of November 30, 2021, 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.

8 Inventory

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

		Capitalized Cost		**Fair Value Adjustment**		**Inventory Impairment**		**Carrying Value**
Dry cannabis	$		$		$		**$**	
Available for packaging		3,698		2,028		(891)		**4,835**
Packaged inventory		518		336		-		**854**
Trim		1,895		(1,702)		-		**193**
Concentrates		67		15		-		**82**
Packaging Materials		207		-		-		**207**
	$	6,385	$	677	$	(891)	**$**	**6,171**

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

The Company's inventories are comprised of the following balances as at November 30, 2020:

		Capitalized Cost		Fair Value Adjustment		Inventory Impairment		Carrying Value
Dry cannabis	$		$		$		**$**	
Available for packaging		1,045		1,010		-		**2,055**
Packaged inventory		1,220		1,552		-		**2,772**
Trim		572		(426)		-		**146**
	$	2,837	$	2,136	$	-	**$**	**4,973**

As at November 30, 2021, the Company had dry cannabis with a carrying value of $5,689 (November 30, 2020: $4,827) and harvested trim with a carrying value of $193 (November 30, 2020: $146).

The Company holds 2,238,143 grams of harvested cannabis (November 30, 2020: 1,439,239), which is comprised of 1,363,654 grams of harvested flower and 874,489 grams of harvested trim.

During the year ended November 30, 2021, the Company recorded $8,369 (November 30, 2020: $6,727) of production costs. Included in the production costs for the year ended November 30, 2021 is $585 (November 30, 2020: $545) of amortization of property and equipment and right-of-use assets.

The Company's cost of sales on the consolidated statement of comprehensive loss are reported net of fair value gain on sale of inventory of $2,201 for the year ended November 30, 2021 (November 30, 2020: $2,710).

During the year ended November 30, 2021, the Company recorded an impairment of $891 related to 176,048 grams of dry cannabis, which has been included within unrealized (loss) gain on changes in fair value of biological assets on the consolidated statement of comprehensive loss. This impairment was recorded to reduce the carrying value of this obsolete inventory to $0.15 to $0.25 as this is what the Company expects to be able to sell this product for to extraction companies as biomass input.

9 Assets held for sale

		November 30, 2021		November 30, 2020
Right-of-use asset (a)(b)	**$**	**-**	$	541
	$	**-**	$	541

a) Assets held for sale comprised of the Company's wholly owned subsidiary, 1203648BC. During the year ended November 30, 2021, the Company sold the assets of 1203648BC for gross proceeds of $500. The primary asset was a 4,000 square foot leased retail space, for which a right-of-use asset and a lease liability were previously recorded on the consolidated statements of financial position. During the year ended November 30, 2021, a lease modification gain of $62 was included within net loss from discontinued operations.

b) During the year ended November 30, 2021, the Company sold 100% of the issued and outstanding shares of its wholly owned subsidiary, Zenalytic Laboratories Ltd. ("Zenalytic") for gross proceeds of $300. Of the total gross proceeds, $50 was received in cash and $250 was received in the form of common shares of Lexston Life Sciences Corp. ("Lexston") The Company recorded a loss of $642 on the sale of Zenalytic. During the year ended November 30, 2021, a net loss of $198 was included within net loss from discontinued operations.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

10 Property, plant and equipment

	Land	Buildings	Construction in-process	Growing & processing equipment	Right-of-use asset	Other	Total
Cost							
Balance - November 30, 2019	$ 1,826	$ 9,935	$ 3,070	$ 4,313	$ -	$ 1,476	$ 20,620
Additions	-	141	379	187	1,851	54	2,613
Disposals	(478)	(484)	-	(64)	-	(146)	(1,172)
Reclassification	-	(388)	(534)	922	-	-	-
Reclassification to assets held for sale	-	-	-	-	(700)	-	(700)
Balance - November 30, 2020	1,348	9,204	2,915	5,358	1,151	1,384	21,360
Additions	-	31	286	268	-	9	594
Disposals	-	-	-	-	-	-	-
Lease modification	-	-	-	-	(34)	-	(34)
Reclassification to assets held for sale	-	-	-	(419)	-	(50)	(469)
Balance – November 30, 2021	1,348	9,235	3,201	5,207	1,117	1,343	21,451
Accumulated amortization							
Balance - November 30, 2019	-	(473)	-	(562)	-	(394)	(1,429)
Additions	-	(483)	-	(534)	(325)	(292)	(1,634)
Balance - November 30, 2020	-	(956)	-	(1,096)	(325)	(686)	(3,063)
Additions	-	(484)	-	(544)	(312)	(263)	(1,603)
Reclassification to assets held for sale	-	-	-	232	26	26	284
Balance – November 30, 2021	-	(1,440)	-	(1,408)	(611)	(923)	(4,382)
Net book value							
November 30, 2020	**$ 1,348**	**$ 8,248**	**$ 2,915**	**$ 4,262**	**$ 826**	**$ 698**	**$ 18,297**
November 30, 2021	**$ 1,348**	**$ 7,795**	**$ 3,201**	**$ 3,799**	**$ 506**	**$ 420**	**$ 17,069**

During the year ended November 30, 2021, the Company allocated $585 (November 30, 2020: $545) of amortization expense to cost of inventory.

11 Intangible assets and goodwill

	Intangible asset	Goodwill
Balance - November 30, 2019	$ 9,900	$ 7,678
Impairment	(1,798)	(6,586)
Balance - November 30, 2020	**8,102**	**1,092**
Impairment	(4,900)	(910)
Balance - November 30, 2021	**$ 3,202**	**$ 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.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

At November 30, 2020, 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 $1,798 to the intangible asset and $6,586 to goodwill for the year ended November 30, 2020.

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 17% to 18% 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 $5.93 declining to $4.77 and cost per gram ranging from $3.54 to $2.85 declining 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.

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.

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.

12 Investment in associate

		November 30, 2021		November 30, 2020
Opening balance	**$**	**2,666**	$	1,747
Cash advanced under shareholder loan		**1,555**		1,345
Equity loss on investment		**(270)**		(426)
	$	**3,951**	$	2,666

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 build out and equipping of the facility being constructed.

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.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

The Company committed to advance a shareholder loan of up to $1,000 to fund the completion of the facility. As of November 30, 2021, the Company has advanced $2,900 (November 30, 2020: $1,345) to 3PL, which is included within the non-current liabilities of 3PL below.

The following is a summary of the aggregate financial information for 3PL:

Statement of Financial Position as at		**November 30, 2021**		November 30, 2020
Cash and cash equivalents	**$**	**246**	$	6
Biological assets		**632**		-
Other current assets		**82**		9
Property, plant and equipment		**11,587**		11,405
Current liabilities		**873**		1,253
Non-current liabilities		**14,389**		12,690

Statement of loss and comprehensive loss for the year ended		**November 30, 2021**		November 30, 2020
Unrealized gain on changes in fair value of biological assets	**$**	**38**	$	-
Operating and administrative expenses		**(588)**		(869)
Net loss and comprehensive loss		**(550)**		(869)

The Company records its investment in 3PL on the equity basis. 3PL has lease commitments over the next five years as follows:

Period ending:		
2021	$	572
2022		334
2023		-
2024		-
2025 and thereafter		-
	$	**906**

13 Gain (loss) on sale of assets and investments

		November 30, 2021		November 30, 2020
1203648 B.C. Ltd. (a)	**$**	**500**	$	-
Fire & Flower Holding Corp. (b)		**-**		261
Sale of Zenalytic Laboratories Inc. (c)		**(642)**		-
Tilley Road Land & Building (d)		**-**		78
Other		**-**		(8)
	$	**(142)**	$	331

a) On February 11, 2021, the Company sold the assets of 1203648BC for gross proceeds of $500. The primary asset was a 4,000 square foot leased retail space, for which a right-of-use asset and a lease liability were disposed of on the date of sale. During the year ended November 30, 2021, a lease modification gain of $62 was included within the consolidated statements of comprehensive loss under net income from discontinued operations.

b) On December 11, 2019, the Company transferred 585,436 common shares of Fire and Flower Holdings Corp. as a repayment of $800 principal payment for a convertible note (see Note 15 (b)). The Company recorded a gain of $261 as a result of this transaction.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

c) On September 20, 2021, the Company sold 100% of the issued and outstanding shares its wholly owned subsidiary, Zenalytic Laboratories Ltd. for gross proceeds of $300. Of the total gross proceeds, $50 was received in cash and $250 was received in the form of common shares of Lexston Life Sciences Corp. The Company recorded a loss of $642 on the sale of Zenalytic Laboratories Inc. During the year ended November 30, 2021, a net loss of $198 was included within net loss from discontinued operations. At November 30, 2021, the common shares of Lexston Life Sciences Corp had a fair value of $176, resulting in the recognition of an unrealized loss of $74 on marketable securities.

d) On October 15, 2020, the Company sold a parcel of land and building located in Kelowna, British Columbia for net proceeds of $945. The Company recorded a gain of $78 as a result of this transaction.

14 Lease liability

Lease liability

The following is the continuity of lease liability for the year ended November 30, 2021:

Recognition upon adoption of IFRS 16	$	1,851
Reclassification to assets held for sale		(700)
Lease payments		(418)
Interest expense on lease liability		183
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	**$**	**623**
Current portion	**$**	**322**
Long-term portion	**$**	**301**

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 $132 (November 30, 2020: $183) is included in financing costs and payments are applied against the lease liability.

Lease liability – Assets held for sale

Reclassification to assets held for sale	$	700
Lease payments		(218)
Interest expense on lease liability		114
Balance – November 30, 2020		**596**
Lease payments		(35)
Interest expense on lease liability		15
Lease modification – sale of leased assets		(514)
Lease modification – gain on lease modification		(62)
Balance – November 30, 2021	**$**	**-**

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

As at November 30, 2021, the minimum lease payments for the lease liabilities are as follows:

Period ending:		
2022		403
2023		286
2024		39
	$	728
Less: Interest expense on lease liabilities	$	(105)
Total present value of minimum lease payments	**$**	**623**

15 Convertible notes

The following is the continuity of convertible notes for the years ended November 30, 2021 and 2020:

		November 30, 2021		November 30, 2020
Principal amount	**$**	**1,990**	$	7,500
Liability amount, beginning of period		**1,868**		7,168
Principal and interest payments		**(169)**		(6,050)
Conversion of debt to common shares		**(1,780)**		-
Transaction costs and other		**-**		(231)
Interest and accretion expense		**81**		981
Carrying value, end of period	**$**	**-**	$	1,868
Equity portion, beginning of period		**555**		709
Reallocation of equity portion upon maturity or settlement		**(555)**		(436)
Loss on modification recorded in contributed surplus		**-**		282
Equity portion, end of period	**$**	**-**	$	555
Short-term portion	**$**	**-**	$	276
Long-term portion	**$**	**-**	$	1,592

a) On October 17, 2018, the Company issued convertible debentures to Invictus MD Strategies Corp. ("Invictus") for gross proceeds of $2,000 under the following terms: (i) a maturity date of October 17, 2020; (ii) an interest rate of 8% per annum, payable monthly; and (iii) convertible at $1.50 per share, subject to adjustment in certain events, at the option of the holder.

On December 3, 2018, the Company issued additional convertible debentures to Invictus for gross proceeds of $500 under the following terms: (i) a maturity date of October 17, 2020; (ii) an interest rate of 8% per annum, payable monthly; and (iii) convertible at $1.50 per share, subject to adjustment in certain events, at the option of the holder.

On October 30, 2020, the Company amended the terms of its unsecured convertible debentures with Invictus, which were to mature on October 17, 2020 (the "Amended Agreement"). Under the Amended Agreement, the principal terms of the convertible debentures were amended as follows: (i) principal repayment of $510 due on October 30, 2020; (ii) annual interest rate to increase from 8% to 10% on the remaining principal balance of $1,990; (iii) maturity date extended to February 28, 2022, with certain months being interest-only payments and others being principal plus interest, such that the balance will have been fully repaid upon the maturity date; and (iv) price of conversion from $1.50 to (a) $0.35 per share on the first $250 of the outstanding principal balance and (b) $0.55 per share on the remaining principal balance outstanding at the time of conversion. The convertible debenture remained unsecured and pursuant to the Amended Agreement, the Company paid $65 in transaction costs. The Company recorded a gain on debt modification of $165 which was offset by a loss on debt modification of $282 resulting from additional shares issuable upon conversion which was recorded to the consolidated statement of comprehensive loss and allocated to contributed surplus.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

During the year ended November 30, 2021, Invictus converted $1,990 of the outstanding principal balance at a conversion price of $0.35 for the first $250 and $0.55 for the remainder balance. The Company issued 3,650,646 common shares to settle the note.

b) On June 11, 2018, the Company issued 5,000 convertible debenture units at a price of $1,000 per unit for gross proceeds of $5,000 under the following terms: (i) a maturity date of June 10, 2020; (ii) an interest rate of 8% per annum, payable semi-annually; and (iii) convertible at $1.50 per share, subject to adjustment in certain events, at the option of the holder. Each unit consists of $1,000 principal amount of convertible debentures and 222 warrants to purchase common shares of the Company at a price of $2.50 for a period of two years from the closing of the offering. In connection with the transaction, the Company incurred issuance costs of $296 and issued 166,666 broker warrants exercisable for one common share of the Company at a price of $1.50 for a period of two years from the earlier of: (a) the completion of the Qualifying Transaction and (b) the date that the shares become listed for trading on a recognized stock exchange. The fair value of the broker warrants was $57 using the Black-Scholes option-pricing model.

During the year ended November 30, 2020, the Company fully repaid its $5,000 convertible debenture to MMCAP Canadian Fund LP. On December 11, 2019 and on March 6, 2020, the Company made early payments towards the principal balance in the amounts of $800 and $500. On June 8, 2020, the remaining principal balance and interest in the amount of $3,839 was paid through the transfer of funds from a non-brokered senior secured debt financing of $3,950 with NFS Leasing Canada Ltd. Refer to Note 16 for further details.

Accounting treatment

For accounting purposes, the above noted convertible debentures were separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 18.50% for debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the convertible debentures and the fair value of the liability component. After initial recognition, the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debentures at effective rates noted above. The Company also recorded a deferred income tax liability that was recognized in equity relating to the difference between the Company’s accounting and tax basis.

During the year ended November 30, 2021, the Company incurred interest and accretion expense of $81 (November 30, 2020: $981) on the convertible debentures, which has been recorded within interest and accretion on the consolidated statement of comprehensive loss.

16 Long term debt

	Maturity date		
	July 1, 2023 (a)	**November 1, 2023 (b)**	**Total**
Balance, November 30, 2019	$ -	$ -	$ -
Principal borrowings	3,950	2,300	6,250
Transaction costs	(610)	(864)	(1,474)
Principal and interest payments	(577)	-	(577)
Interest and accretion expense	457	55	512
Balance, November 30, 2020	3,220	1,491	4,711
Principal and interest payments	(273)	(153)	(426)
Interest and accretion expense	365	276	641
Total before loan repayment	3,312	1,614	4,926
Loss on extinguishment of loan	336	688	1,024
Interest (break-up fee)	164	215	379
Legal fees	3	3	6
Repayment of loan	(3,815)	(2,520)	(6,335)
Balance, November 30, 2021	$ -	$ -	$ -

a) On June 8, 2020, the Company closed a non-brokered senior secured debt financing of $3,950 with NFS Leasing Canada Ltd ("Loan A") bearing an annual interest rate of 18%. Proceeds from Loan A were used to repay MMCAP Canadian Fund LP, the existing senior secured convertible debenture. In connection with Loan A, the Company issued 2,135,135 common shares, which were subject to a three-year release schedule, with 355,856 shares being released each six-month period. No other broker fees or broker warrants were issued in connection with Loan A.

   On October 16, 2020, the Company made an early principal repayment of $302, reducing the principal balance to $3,648.

   On April 9, 2021, the Company made an early principal repayment of $3,648 to fully extinguish Loan A. In connection with the early repayment of the outstanding principal balance, the Company paid $164 per the terms of the agreement.

b) On October 30, 2020, the Company closed a non-brokered senior secured debt financing of $2,300 with NFS Leasing Canada Ltd. ("Loan B"), bearing an annual interest rate of 16%. In connection with Loan B, the Company issued 2,421,052 common shares, which were subject to a three-year release schedule, with 403,508 shares being released each six-month period. In addition, the Company issued 6,900,000 common share purchase warrants with a value of $409 and an expiration date of three years from the date of issuance. The exercise price of the warrants is as follows: (i) 2,300,000 warrants at an exercise price of $0.10; (ii) 2,300,000 warrants at an exercise price of $0.15; and (iii) 2,300,000 warrants at an exercise price of $0.25. No other broker fees or brokers warrants were issued in connection with Loan B.

   On April 9, 2021, the Company made an early principal repayment of $2,300 to fully extinguish Loan B. In connection with the early repayment of the outstanding principal balance, the Company paid $215 per the terms of the agreement.

   During the year ended November 30, 2021, the Company incurred interest and accretion expense of $641 (November 30, 2020: $512) on Loan A and B (collectively, the "Loans"), which has been included in interest and accretion on the consolidated statements of comprehensive loss.

   During the year ended November 30, 2021, the Company recorded a loss on extinguishment of the Loans in the amount of $1,024 (November 30, 2020: $Nil) to recognize the accelerated accretion of previously capitalized loan transaction costs.

17 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 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 23).

- 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 the Invictus Convertible Note (Note 15). The Company also reallocated $556 from contributed surplus in connection with the full conversion of the note.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

During the year ended November 30, 2020:

- The Company issued 2,135,135 common shares with a fair value of $395 in connection with the senior secured debt financing entered into on June 8, 2020 (Note 15).
- The Company issued 2,421,052 common shares with a fair value of $303 in connection with the senior secured debt financing entered into on October 30, 2020 (Note 15).
- The Company issued 1,900,000 common shares with a fair value of $295 pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, of which 1,628,571 common shares are held in escrow and will be released contingent upon the occurrence of future events. As at November 30, 2020, 271,429 common shares had been released from escrow.
- The Company issued 546,853 common shares with a fair value of $75 in connection with debt settlement agreements.
- The Company issued 300,000 common shares pursuant to the exercise of stock options for gross proceeds of $90 in connection with the exercise of the stock options. The Company also reallocated $29 from contributed surplus to equity representing the fair value of the stock options exercised.
- The Company issued 7,500,000 common shares with a fair value of $1,013 pursuant to an amending agreement with the vendors of Tumbleweed amending certain terms and conditions of the definitive share purchase agreement dated August 12, 2017.
- The Company issued 954,545 common shares with a fair value of $137 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones.
- The Company cancelled 1,719,167 common shares pursuant to the terms of an escrow agreement entered into on the closing of the acquisition of 1203648 B.C. Ltd.

(b) Escrow shares

As at November 30, 2021 there were 3,635,237 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, 2021	355,856	3,279,381
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 November 30, 2021 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.
- 1,067,567 common shares held in escrow pursuant to the debt financing described in Note 16, 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 described in Note 16, which are subject to a three-year release schedule, with 403,508 shares being released each six-month period.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

(c) Share purchase warrants

Warrant transactions are summarized as follows:

		Weighted average
Balance – November 30, 2019	**38,552,414**	**$ 1.24**
Granted	**6,900,000**	**0.17**
Expired	**(16,153,428)**	**1.54**
Balance – November 30, 2020	**29,298,986**	**0.82**
Granted	**36,918,500**	**0.89**
Exercised	**(9,622,091)**	**0.33**
Expired	**(19,779,395)**	**1.05**
Balance – November 30, 2021	**36,816,000**	**$ 0.90**

The weighted average outstanding life of warrants outstanding as at November 30, 2021 is 2.32 years.

At November 30, 2021 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
1,293,500	$ 0.80	March 30, 2024
28,750,000	$ 1.04	March 30, 2024
36,816,000		

18 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, 2019	12,047,989	$ 0.53
Granted	710,000	0.29
Expired/cancelled	(2,898,042)	0.38
Exercised	(300,000)	0.30
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

The weighted average outstanding life of stock options outstanding as at November 30, 2021 is 2.01 years.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

At November 30, 2021, the following stock options were outstanding:

Number of shares	Options Vested	Exercise price per share	Expiry date
750,000	750,000	$0.60	January 29, 2022
100,000	100,000	$0.57	February 1, 2022
1,750,000	1,300,000	$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
3,537,500	**3,087,500**		

(b) Share-based payments

During the year ended November 30, 2021, the Company recognized share-based payment expense of $165 (November 30, 2020: $393) that was recorded in the consolidated statements of comprehensive loss. The share-based payments represent the fair value of stock options granted or vested during the year ended November 30, 2021 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. The weighted average assumptions used in calculating the fair values of stock options granted are as follows:

	2021	2020
Share price	$0.135 - $0.80	$0.14 - $0.69
Exercise price	$0.135 - $0.78	$0.16 - $0.69
Risk-free interest rate	2.16%	2.16%
Expected life	1-5 Years	2-5 Years
Volatility	120%	120%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

19 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 years ended November 30, 2021 and 2020 consists of the following:

	November 30, 2021	November 30, 2020
Salaries and wages	840	663
Director fees	346	60
Share-based payments	393	219
	1,578	942

Related party balances

As at November 30, 2021, $Nil (November 30, 2020: $213) was due to the Company's Vice President and Director, Mr. Blady, for advances made to the Company during the year. The amount was unsecured, non-interest bearing and due on demand.

As at November 30, 2021, accounts payable and accrued liabilities included $460 (November 30, 2020: $107) which was due to directors of the Company in connection with directors' fees.

As at November 30, 2021, $Nil (November 30, 2020: $388) was due to the Company's Chief Executive Officer, Mr. Norton Singhavon ("Mr. Singhavon") for advances made to the Company during the year. The amount was unsecured, non-interest bearing and due on demand.

Related party transactions

During the period ended November 30, 2017, the Company entered into share purchase agreements to purchase 100% interest in Grey Bruce, 1118157 B.C. Ltd. ("1118157 BC"), Zenalytic and GBP. 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 23.

20 Financial instruments

a. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, promissory notes receivable, deposits, due from associate, accounts payable, convertible notes, long-term debt, due to related parties 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 November 30, 2021, 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 November 30, 2021 was $14,313. At November 30, 2021, the Company had accounts receivable of $2,348, accounts payable and accrued liabilities of $2,073, current lease liabilities of $322 and long-term lease liabilities of $301. All accounts payable and accrued liabilities are current.
2. As at November 30, 2021, the Company did not have derivative financial liabilities with contractual maturities.
3. The Company typically 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, 2021 based on the undiscounted contractual cash flows:

		Carrying value		Principal amount		Less than 1 year		1 – 5 years
Accounts payable	$	2,073	$	2,073	$	2,073	$	-
Lease liabilities		623		728		403		326
	$	**2,696**	**$**	**2,801**	**$**	**2,476**	**$**	**326**

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. The Company's amounts due to related parties are non-interest bearing.

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.

As at November 30, 2021, the Company had Level 1 financial instruments, consisting of cash and cash equivalents, with a fair value of $14,313 (November 30, 2020: $625).

21 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. Historically this has been accomplished primarily through financings, debt, and advances from related parties. 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.

22 Supplemental cash flow information

		November 30, 2021		November 30, 2020
Interest paid	$	**469**	$	647

23 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, 2021, the Company has accrued a provision of $100 related to certain legal proceedings for which the outcome is uncertain at this time.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

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 year ended November 30, 2021, the Company issued 795,454 common shares in connection with certain milestones achieved in 2020. During the year ended November 30, 2021, the final milestone related to Grey Bruce was achieved and the Company has recorded a liability of $280 related to the fair value of 1,000,000 common shares issued to Mr. Singhavon in December 2022 (subsequent to year-end) as settlement of this milestone payment.

GreenTec Bio-Pharmaceuticals Inc. ("GBP")

As at November 30, 2021, 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 are 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.

(Expressed in Thousands of Canadian Dollars Except Share Amounts)

24 Income Taxes

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:

		2021		2020
Canadian statutory income tax rate		**23 to 27%**		23 to 27%
Income tax (recovery) at statutory rate	**$**	**(1,739)**	$	(1,958)
Permanent differences and others		**(2,191)**		2,868
Change in unrecognized deferred income tax assets		**2,731**		289
Deferred income tax recovery (expense)	**$**	**1,199**	$	(1,199)

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

		2020		2020
Non-capital losses	**$**	**6,390**	$	5,264
Biological assets and inventory		**(390)**		(790)
Capital assets		**95**		433
Convertible debentures		**-**		(33)
Debt issuance costs		**-**		32
Intangible assets		**(736)**		(1,863)
Investments		**401**		318
Share issuance costs		**602**		188
Loan payable		**-**		(334)
Right-of-use asset		**(126)**		(207)
Lease liability		**156**		229
Unrecognized deferred income tax assets		**(6,392)**		(4,436)
Net deferred income tax liability	**$**	**-**	$	1,199

As at November 30, 2021, the Company has non-capital losses carried forward of approximately $25,400 (2020 - $19,775,000), which are available to offset future years' taxable income. These losses include the losses acquired through the acquisitions described in Note 5 and expire as follows:

2033	$	114
2034		672
2035		18
2036		691
2037		1,064
2038		6,311
2039		7,366
2040		3,234
2041		5,930