Pac Roots Cannabis Corp.

Condensed Interim Consolidated Financial Statements

For the nine months ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

Pac Roots Cannabis Corp.

Condensed Interim Consolidated Statements of Financial Position

As at August 31, 2021 and November 30, 2020

(Expressed in Canadian Dollars)

	Note	August 31, 2021	November 30, 2020
ASSETS			
Current assets			
Cash		$ 2,453	$ 27,775
Amount receivable		100,870	111,546
Prepaid expenses	4	65,880	219,994
		169,203	359,315
Non-current assets			
Intangible assets	3	1,460,000	-
Investment	8	318,920	-
Long-term prepaid deposits	4	36,918	336,918
Right-of-use assets	5	63,259	146,387
Property, equipment and land	6	1,018,920	1,018,920
Total assets		**$ 3,067,176**	**$ 1,861,540**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 520,698	$ 826,813
Consideration payable	3	1,379,760	503,963
Current portion of lease liabilities	5	66,316	124,883
Loan payable	10	-	40,000
		1,966,774	1,495,659
Non-current liabilities			
Lease liabilities	5	-	33,887
Consideration payable	3	-	902,324
Total liabilities		1,966,774	2,431,870
Shareholders' deficiency			
Common Shares	11	12,952,110	9,366,815
Commitment to issue shares	3	479,749	1,056,108
Warrant reserves	11	447,801	781,345
Share-based payments reserves	11	1,129,062	554,461
Deficit		(13,908,320)	(12,329,059)
Total shareholders' deficiency		1,100,402	(570,330)
Total liabilities and shareholders' deficiency		**$ 3,067,176**	**$ 1,861,540**

Nature of operations and going concern (Note 1)
Exploration and evaluation assets (Note 7)
Subsequent events (Note 17)

On behalf of the Board:

"Chris Farnworth" Director *"Matt McGill"* Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Pac Roots Cannabis Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	Three months ended, August 31, 2021	Three months ended, August 31, 2020	Nine months ended, August 31, 2021	*Twelve months ended, August 31, 2020
EXPENSES					
Accretion and interest	3,5	$ 61,823	$ 7,822	$ 189,049	$ 33,663
Advertising and promotion		10,175	39,906	248,701	83,950
Amortization of right-of-use asset	5	27,710	23,505	83,128	94,020
Consulting fees	12	106,558	34,785	346,275	126,000
Foreign exchange loss (gain)		(345)	-	854	-
Insurance (recovery)		-	883	6,579	996
License fees (recovery)		153	2,150	(847)	2,150
Management fees	12	-	-	-	40,000
Office and miscellaneous expense (recovery)		(1,860)	-	(7,433)	52,644
Professional fees		52,726	17,132	70,741	43,706
Rent		1,366	6,057	6,587	15,881
Repairs and maintenance		352	1,340	1,385	6,413
Regulatory and filing fees		4,776	24,689	26,929	24,689
Share-based payments	11,12	-	665,001	574,601	665,001
Travel		375	2,997	375	11.661
Utilities		1,977	1,023	8,393	6,101
Total Expenses		(265,786)	(827,290)	(1,555,317)	(1,206,875)
Other Income (Expenses)					
Gain on settlement of debt	9	-	-	1,150	-
Gain on write-off of accounts payable	9	-	-	30,000	-
Interest earned		-	379	-	1,156
Listing expense	13	-	-	-	(2,185,748)
Share of loss on equity accounted investments	8	(16,124)		(16,124)	
Transaction cost		-	-	-	(60,000)
Write-off of accounts receivable			-		
		(38,970)		(38,970)	(67,647)
Total Other Income (Expenses)		(55,094)	(826,911)	(23,944)	(2,312,239)
Loss and comprehensive loss for the period		$ (320,880)	$ (826,911)	$ (1,579,261)	$ (3,519,114)
Basic and diluted loss per share		$ (0.00)	$ (0.01)	$ (0.02)	$ (0.06)
Weighted average number of shares outstanding		87,027,899	63,821,644	82,506,385	63,821,644

*In the prior year, the Company changed its fiscal year end and thus the comparative reporting period is the 12 months ended August 31, 2020.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Pac Roots Cannabis Corp.

Condensed Interim Consolidated Statements of Change in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Number of Common Shares	Amount	Commitment to issue shares	Warrants reserve	Share based payment reserves	Deficit	Total
Balance as at August 31, 2019	40,000,000	$ 293,685	$ -	$ -	$ -	$ (2,829,875)	$ (2,536,190)
Shares issued for RTO (Note 11)	12,249,629	3,674,889	-	-	-	-	3,674,889
Shares returned to treasury (Note 11)	(11,332)	-	-	-	-	-	-
Private placement (Note 11)	5,500,004	1,650,000	-	-	-	-	1,650,000
Share issuance cost (Note 11)	-	(63,906)	-	-	-	-	(63,906)
Shares issued for Go Green (Note 11)	3,383,333	1,015,000	-	-	-	-	1,015,000
Transaction cost (Note 11 and 13)	200,000	60,000	-	-	-	-	60,000
Shares issued for license (Note 11)	2,500,000	750,000	-	-	-	-	750,000
Distribution to Shareholders (Note 13)	-	-	-	-	-	(639,022)	(639,022)
Share-based payments (Note 11)	-	-	-	-	665,001	-	665,001
Net loss for the period	-	-	-	-	-	(3,519,114)	(3,519,114)
Balance as at August 31, 2020	63,821,644	$ 7,379,668	-	-	665,001	$ (6,988,011)	$ 1,056,658
Balance at November 30, 2020	71,079,644	$ 9,366,815	$ 1,056,108	$ 781,345	$ 554,461	$ (12,329,059)	$ (570,330)
Private placement (Note 11)	7,448,255	1,750,341	-	(409,654)	-	-	1,340,687
Share issuance cost (Note 11)	-	(75,295)	-	-	-	-	(75,295)
Warrants issued to finders (Note 11)	-	(76,110)	-	76,110	-	-	-
Shares issued and to be issued for license (Note 3)	2,500,000	576,359	(576,359)	-	-	-	-
Shares issued for Lords of Grasstown Holdings Ltd. (Note 3 and 11)	6,000,000	1,410,000	-	-	-	-	1,410,000
Share-based payments (Note 11)	-	-	-	-	574,601	-	574,601
Net loss for the period	-	-	-		-	(1,579,261)	(1,579,261)
Balance as at August 31, 2021	**87,027,899**	**$ 12,952,110**	**$ 479,749**	**$ 447,801**	**$ 1,129,062**	**$ (13,908,320)**	**$ 1,100,402**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Pac Roots Cannabis Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Note	Nine Months Ended August 31, 2021	*Twelve Months Ended August 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		$ (1,579,261)	$ (3,519,114)
Items not affecting cash			
Amortization of right-of-use asset	5	83,128	94,020
Amortization of equipment		-	816
Interest on lease liabilities	5	13,033	30,534
Accretion on consideration payable	3	191,270	-
Amounts settled through RTO		-	15,414
Listing expense	13	-	2,185,748
Share-based payments	11	574,601	665,001
Share of loss on equity accounted investments	8	16,124	-
Transaction cost	11, 13	-	60,000
Write-down of accounts receivable		-	67,647
Changes in non-cash working capital items			
(Increase) decrease in amount receivable		10,676	(87,998)
(Increase) decrease in prepaid expenses		154,114	(14,706)
Increase (decrease) in accounts payable and accrued liabilities		(306,115)	(255,785)
Net cash used in operating activities		(842,430)	(758,423)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from RTO		-	(164)
Consideration paid for Lords of Grasstown	3	(50,000)	-
Investment in Rock Creek		(35,000)	(300,000)
Consideration paid to 1088	3	(217,797)	-
Property and equipment	6, 13	-	(47,081)
Net cash used in investing activities		(302,797)	(347,245)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repaid	10	(40,000)	-
Private placement	11	1,265,392	1,386,094
Advances from MLK prior to RTO		-	-
Lease payments	5	(105,487)	(115,662)
Net cash provided by financing activities		1,119,905	1,270,432
Change in cash during the period		(25,322)	164,764
Cash, beginning of period		27,775	9,201
Cash, end of period		$ 2,453	$ 173,965
Non-cash investing and financing activities:			
Distribution to shareholders	14	$ -	$ 639,022
Shares issued for Lords of Grasstown Holdings Ltd.	3, 11	$ 1,410,000	$ -
Shares issued and to be issued for Phenome license	3, 11	$ 576,359	$ -
Fair value of finders warrants	11	$ 76,110	$ -

*In the prior year, the Company changed its fiscal year end and thus the comparative reporting period is the 12 months ended August 31, 2020.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Pac Roots Cannabis Corp. (formerly Mountain Lake Minerals Inc., "MLK"), (the "Company" or "Pac Roots") was incorporated on May 16, 2012 in British Columbia under the Business Corporations Act. The address of the Company's corporate office and its principal place of business is 1055 Hastings Street, Unit 300, Vancouver, British Columbia, Canada.

The Company is in the process of applying for a license to produce cannabis. Operations have not commenced as of the date of these condensed interim consolidated financial statements.

On June 6, 2018, the Company executed a definitive share exchange agreement with 1157630 B.C. Ltd. ("1157630"), a private company, and its shareholders for the acquisition of all of the issued and outstanding shares of 1157630 and its subsidiary Go Green (the "Go Green Transaction") and completed a reverse take-over ("RTO") (Note 13).

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

Management believes the Company will be successful at securing additional funding to continue its operations and to develop its cannabis production facilities, however, the Company has incurred significant operating losses since inception, has a working capital deficit of $1,797,571 (November 30, 2020 – working capital deficit of $1,136,344), has a deficit of $13,894,891 (November 30, 2020 - $12,329,059), has limited resources, no source of operating cash flows and no assurances that sufficient funding will be available to further its goals and objectives. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to successfully complete its manufacturing process, commercialize its products and receive regulatory approvals for its business, the outcome of which cannot be predicted at this point. As a result, it may be necessary for the Company to obtain additional capital, such as issuance of equity and/or debt securities, or alternative financing sources of financing. There is no assurance that the Company will be able to obtain sufficient funds to continue its operating activities.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during the year. The production and sale of cannabis have been recognized as essential services across Canada and Europe.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's 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 intangibles, property, equipment and land. The Company is closely monitoring the impact of the pandemic on all aspects of its business. As at August 31, 2021, we have also not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed interim consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements and notes thereto as of and for the year ended November 30, 2020.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and effective as of November 30, 2020. The Board of Directors approved the financial statements for issue on October 29, 2021.

Basis of measurement and presentation

The Company changed its fiscal year end from August to November in the prior year. Information included for the prior year in the condensed interim consolidated financial statements reflects the prior fiscal period consisting of the fifteen months ending November 30, 2020, and as a result, are not entirely comparable.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Use of estimates and judgements

The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenues and expenses. 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. Actual results may differ from these estimates. Estimates and judgments are consistent with those presented in Note 2 to the Company's annual consolidated financial statements.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies

The significant accounting policies as described in Note 2 to the annual consolidated financial statements have been consistently applied in the presentation of these condensed interim consolidated financial statements.

New Accounting Standards

The Company continues to review changes to IFRS standards, there are no other pending IFRSs that are expected to be relevant to the Company's condensed interim consolidated financial statements.

Basis of Consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These condensed interim consolidated financial statements include the accounts of the Company and its principal subsidiaries:

	Ownership Interest, August 31, 2021	Ownership Interest, November 30, 2020	Jurisdiction
Go Green B.C. Medicinal Marijuana Ltd. (Note 3)	100%	100%	Canada
1088070 BC Ltd.	100%	100%	Canada
1157630 BC Ltd.	100%	100%	Canada
Lords of Grasstown Holdings Ltd. (Note 3)	100%	0%	Canada

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Equity accounted investments (Continued)

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

At August 31, 2021 the Company accounts for the following entities using the equity method as the Company does not have control over these entities:

	Ownership Interest	Jurisdiction
1293953 BC Ltd. (Note 8)	49%	Canada

3. ASSET ACQUISITION

<u>1065703 B.C. Ltd.</u>

On April 20, 2018 1157630 BC Ltd. ("1157630") entered into a share purchase agreement (the "Agreement") with 1065703 B.C. Ltd. ("1065703") to acquire 100% of all the issued and outstanding shares of Go Green B.C. Medicinal Marijuana Ltd. ("Go Green") from 1065703 in exchange for $2,000,000 paid in cash and the issuance of common shares. The consideration is detailed as follows:

- $275,000 in cash (paid);
- $225,000 in cash three months following the closing date (paid);
- $500,000 in cash on or before the earlier of November 15, 2018 or the issuance of a cultivation license by Health Canada (paid); and
- $1,000,000 in common shares on the earlier of December 15, 2018 or such time as that the Company completes a going public transaction (the "Delivery Date"). The number of common shares issued will be based on the Company's stock price on the Delivery Date.

(Expressed in Canadian Dollars)

3. ASSET ACQUISITION (Continued)

1065703 B.C. Ltd. (Continued)

The details of the purchase have been accounted for as follows during the period ended August 31, 2018:

Cash paid	$	500,000
Cash to be paid November 15, 2018		420,000
Fair Value of common shares issued		1,000,000
Total consideration	**$**	**1,920,000**
Intangible asset acquired	**$**	**1,920,000**

The Company has accounted for the purchase as an asset acquisition as it did not meet the criteria under IFRS 3 "Business Combinations" to be classified as a business acquisition. Of the consideration exchanged, $500,000 was paid during the period ended August 31, 2018 and the remaining balance of $1,500,000 was set up as a current liability. The Company discounted the liability at a rate of approximately 20% in order to provide for its current present value. The liability will be accreted based on the payment terms noted above. During the year ended August 31, 2019, the Company recorded an accretion expense of $80,000 and made cash payment of $500,000.

The intangible asset consisted of in-process licensing application relating to the Go Green's license application to produce cannabis in Canada ("Intangible Asset"). In accordance with the Company's accounting policy, the Intangible Asset is subject to an annual impairment test and as a result the full value of the intangible asset purchased of $1,920,000 was impaired and charged to the consolidated statement of loss for the period ended August 31, 2018. As of the date of approval of these condensed interim consolidated financial statements, the approval of the processing and cultivation license has not been granted.

During the year ended August 31, 2019, 1157630 and 1065703 amended the terms of the Agreement, whereby 1157630 agreed to increase the share consideration to $1,015,000, payable on the earlier of November 30, 2019 or such time as the Company completes a going public transaction (Issued 3,383,333 shares, Note 11). Pursuant to the amended Agreement, the market value of the common shares was determined to be $0.30 per common share. The additional $15,000 was impaired and charged to the consolidated statement of loss for the year ended August 31, 2019. 1065703 has security in the form of all the outstanding shares of Go Green.

The balance payable as at August 31, 2021 and November 30, 2020 is $Nil.

Phenome One Corp.

On April 8, 2019, MLK entered into a license agreement with Phenome One Corp. ("Phenome") in order to obtain a license (the "Phenome License") from Phenome in respect of a genetic cannabis library of certain cultivars, and technical and materials owned by Phenome in order to allow the Company to propagate, cultivate, harvest, process, breed and develop, manufacture, produce and use such licensed property (the "Phenome Agreement") subject to the following terms:

3. ASSET ACQUISITION (Continued)

Phenome One Corp. (Continued)

a) 2,500,000 common shares on the date on which the Issuer receives the approval of the CSE for the Fundamental Change Transactions (the "approval date") (Issued, Note 11);
b) 2,500,000 common shares on the date on which is three months following the approval date (Issued, Note 11);
c) 2,500,000 common shares on the date on which is six months following the approval date (Issued, Note 11);
d) 2,500,000 common shares on the date on which is nine months following the approval date (Issued, Note 11);
e) $50,000 in cash on the date which is 18 months following the approval date;
f) $100,000 in cash on the date which is 24 months following the approval date; and
g) $100,000 in cash on the date which is 30 months following the approval date.

Phenome is a company related to Pac Roots by a common officer.

In addition, Pac Roots will make non-refundable, non-creditable royalty payments to Phenome equal to 5% of gross sales of products, which royalty shall be payable within 60 days of each calendar quarter. The Phenome License Agreement will continue for as long as the Pac Roots has payment obligations, including the royalty payments, to Phenome, unless earlier terminated as a result of breach of the agreement or other circumstances, including where gross sales of products in any two consecutive calendar quarters, after 2019, are less than $1,000,000. Pac Roots has been granted a right of first refusal in respect of any of the licensed cultivars, technology or materials (the "licensed material"), subject to certain exceptions as set forth in the Phenome License Agreement, such that should Phenome receive a bona fide offer from an independent third party dealing with it arm's length to acquire such licensed material, it must first offer the licensed material to Pac Roots on terms no less favorable than those offered to it. Pac Roots will have a period of 30 days to accept such offer, failing which Phenome will be entitled to sell the licensed material on the terms specified for a period of 60 days.

Under the Phenome License Agreement, Pac Roots will have the sole responsibility and decision-making authority in relation to development and commercialization activities in respect of the licensed materials, at its own cost, but shall provide progress reports to Phenome of its activities within 60 days of each calendar quarter.

Pursuant to terms of the Phenome license, the Company recorded intangible assets of $2,781,899 representing the discounted fair value of the common share at $0.30 per share and the cash payable to reflect the time value of money. During the period ended November 30, 2020, the Company issued 7,500,000 common shares with a fair value of $2,034,666 as a result of the Phenome Agreement (Note 11) and has a remaining commitment to issue 2,500,000 common shares with a discounted value of $576,360. The Company discounted the cash consideration using a discount rate of 20% to reflect the time value of money related to future cash outlays and discounted the share issuances using the average strike put-option model which resulted in a present value of $2,781,899 on acquisition date. During the period ended November 30, 2020, the Company recognized accretion expense of $19,176. As at November 30, 2020, the Company had a consideration payable to Phenome of $190,049.

During the period ended August 31, 2021, the Company recognized accretion expense of $24,563. As at August 31, 2021, the Company has a consideration payable to Phenome of $214,612.

During the period ended November 30, 2020, the Company recorded impairment on the intangible assets of $2,781,899 as the recoverable amount could not be determined reliably. As at August 31, 2021 and November 30, 2020, the balance of intangible assets is $Nil for the assets acquired from Phenome.

(Expressed in Canadian Dollars)

3. ASSET ACQUISITIONS (Continued)

1088070 BC. Ltd.

On September 18, 2020, the Company closed a share purchase agreement (the "1088 Agreement") with 1088070 BC. Ltd. ("1088"), a company existing under the laws of the Canada and Dave Jonkman and Norm Tapp (together, the "1088 Shareholders" and each, a "1088 Shareholder") pursuant to which the Company would acquire all of the issued and outstanding shares of 1088. 1088 owns and controls nine parcels of land comprised of 250 acres of land in the Fraser Valley Region of British Columbia.

The Company will pay an aggregate of $1.5 million in cash and issue an aggregate of 3 million common shares to the 1088 Shareholders, pro rata in accordance with their holdings as follows (the "Consideration"):

a) 375,000 shares to be issued on or before the date which is 30 days from the date of Closing (the "1088 Closing Date") (Issued on October 5, 2020);
b) $200,000* within three months of the Closing Date (paid) (Note 9);
c) $300,000 in cash and 562,500 common shares within 12 months of the 1088 Closing Date;
d) $400,000 in cash and 937,500 common shares within 18 months of the 1088 Closing Date; and
e) $600,000 and 1,125,000 common shares within 24 months after the Closing Date. Pending the payment of the Consideration in full, the Company will grant a mortgage over its land package in favor of the 1088 Shareholders.

* On February 24, 2021, the Company and 1088 shareholders agreed to delay the payment by 56 days from the initial payment date at $318 per day for a total penalty of $17,797. The amended balance of $217,797 was paid by the Company on February 24, 2021.

The details of the purchase have been accounted for as follows:

Cash to be paid, discounted	$	1,162,045
Fair Value of common shares to be issued, discounted		585,925
Total consideration	**$**	**1,747,970**
Land acquired	**$**	**1,747,970**

During the period ended November 30, 2020, the Company issued 375,000 shares with a fair value of $106,177 pursuant to terms of the 1088 Agreement (Note 11) and has a remaining consideration payable of 2,625,000 common shares to pay to 1088 Shareholders with a discounted value of $479,748. The Company discounted the cash consideration using a discount rate of 20% to reflect the time value of money related to future cash outlays and share issuances, resulting in a present value of $1,747,970 and discounted future share issuances using the average strike put-option model at acquisition date. During the period ended November 30, 2020, the Company recognized accretion expense of $54,193. As at November 30, 2020, the Company has a consideration payable to 1088 of $1,216,238.

During the period ended November 30, 2020, the Company recorded impairment on the land of $1,450,000 to management's best estimate of its recoverable amount of $297,970.

During the period ended August 31, 2021, the Company recognized accretion expense of $148,911. As at August 31, 2021, the Company has a consideration payable to 1088 of $1,165,148.

Subsequent to the period end, the Company entered into an agreement with 1088 to return all of the issued and outstanding shares of 1088 (Note 17).

(Expressed in Canadian Dollars)

3. ASSET ACQUISITIONS (Continued)

Lords of Grasstown Holdings Ltd.

On February 22, 2021, the Company closed a share purchase agreement (the "Grasstown Agreement") with Lords of Grasstown Holdings Ltd. ("Grasstown"), a company existing under the laws of the Canada pursuant to which the Company would acquire all of the issued and outstanding shares of Grasstown. Grasstown owns and holds 100% of the interest in and to intellectual property.

The Company paid an aggregate of $50,000 in cash and issued an aggregate of 6 million common shares to the Grasstown Shareholders, pro rata in accordance with their holdings as follows (the "Grasstown Consideration"):

a) $50,000 paid within 30 days from the date of Closing (the "Grasstown Closing Date") (paid); and
b) 6,000,000 common shares issued on February 22, 2021 (Note 11)

The details of the purchase have been accounted for as follows:

Fair Value of the common shares issued	$	1,410,000
Cash paid		50,000
Total consideration	**$**	**1,460,000**
Intangible assets acquired	**$**	**1,460,000**

The consideration payable as at August 31, 2021 is $Nil.

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses consist of amounts prepaid for consulting expenses, general and administrative expenses, and long-term deposits.

		August 31, 2021		**November 30, 2020**
Prepaid expenses	$	65,880	$	219,994
Long-term prepaid deposits		36,918		336,918
	$	**102,798**	**$**	**556,912**

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

In accordance with IFRS 16 *Leases*, the Company has recognized certain leases meeting the criteria of IFRS 16 as right-of-use assets and recognized corresponding lease liabilities. The right-of-use assets and lease liabilities were measured at the present value of the lease payments, discounted using the Company's incremental borrowing rates applied at the date of inception of the leases. The weighted average incremental borrowing rate applied to the right-of-use assets and lease liabilities for the period ended August 31, 2021 was 15% per annum.

Go Green Lake Country Lease

The Company acquired a lease in Lake Country, BC as a result of the completion of the RTO (Note 13). The lease commenced on February 1, 2018 and terminates on March 31, 2022. The details of the right-of-use asset and the corresponding lease liability recognized as at August 31, 2021 are as follows. The lease term remaining as at August 31 2021 is approximately 0.58 years.

(Expressed in Canadian Dollars)

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY (Continued)

Go Green Lake Country Lease (Continued)

a) Right-of-use assets

The following is the continuity of the cost and accumulated depreciation of right-of-use assets as at and for the period ended August 31, 2021:

	August 31, 2021
Cost	$
Balance, August 31, 2018 and 2019	-
Additions upon adoption of IFRS 16	242,890
Balance, November 30, 2020 and August 31, 2021	**242,890**
Accumulated depreciation	
Balance, August 31, 2019	-
Depreciation	(117,525)
Balance, November 30, 2020	**(117,525)**
Depreciation	(70,515)
Balance, August 31, 2021	**(188,040)**
Carrying amount as at August 31, 2021	**54,850**

b) Lease liability

The following is the continuity of lease liability as at and for the period ended August 31, 2021:

	August 31, 2021
	$
Balance, August 31, 2018 and 2019	**-**
Recognized upon adoption of IFRS 16	242,890
Lease payments	(144,578)
Interest expense on lease liability	36,516
Balance, November 30, 2020	**134,828**
Lease payments	(86,745)
Interest expense on lease liability	12,618
Balance, August 31, 2021	**60,701**
Less: current portion of lease liability	(60,701)
Lease liability – non current	-

(Expressed in Canadian Dollars)

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY (Continued)

Go Green Lake Country Lease (Continued)

As at August 31, 2021, minimum lease payments for the lease liability are as follows:

Year ending	
	$
November 30, 2021	28,915
November 30, 2022	38,095
Total undiscounted lease liability at August 31, 2021	67,010
Less: Interest on lease liability	(6,309)
Total present value of minimum lease payments at August 31, 2021	60,701

Vancouver Lease

The Company entered into a lease agreement for office space in Vancouver, B.C. The lease commenced on October 1, 2020 and terminates on September 30, 2021. The details of the right-of-use asset and the corresponding lease liability recognized as at August 31, 2021 are as follows. The lease term remaining as at August 31, 2021 is approximately 0.08 years.

a) Right-of-use assets

The following is the continuity of the cost and accumulated depreciation of right-of-use assets as at and for the period ended August 31, 2021:

	August 31, 2021
Cost	$
Balance, August 31, 2018 and 2019	-
Additions	25,226
Balance, November 30, 2020 and August 31, 2021	**25,226**
Accumulated depreciation	
Balance, August 31, 2018 and 2019	-
Depreciation	(4,204)
Balance, November 30, 2020	**(4,204)**
Depreciation	(12,613)
Balance, August 31, 2021	**(16,817)**
Carrying amount as at August 31, 2021	**8,409**

(Expressed in Canadian Dollars)

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY (Continued)

Vancouver Lease (Continued)

b) Lease liability

The following is the continuity of lease liability as at and for the period ended August 31, 2021:

	August 31, 2021
	$
Balance, August 31, 2018 and 2019	**-**
Additions	25,226
Lease payments	(1,895)
Interest expense on lease liability	611
Balance, November 30, 2020	**23,942**
Lease payments	(18,742)
Interest expense on lease liability	415
Balance, August 31, 2021	**5,615**
Less: current portion of lease liability	(5,615)
Lease liability – non current	-

As at August 31, 2021, minimum lease payments for the lease liability is as follows:

Year ending	
	$
November 30, 2021	5,685
Total undiscounted lease liability at August 31, 2021	5,685
Less: Interest on lease liability	(70)
Total present value of minimum lease payments at August 31, 2021	5,615

6. PROPERTY AND EQUIPMENT AND LAND

During the period ended August 31, 2021, the Company purchased certain equipment and incurred leasehold improvement costs of $Nil (period ended November 30, 2020 - $47,081) at its Kelowna facility. As at August 31, 2021, the facility is not ready for use and as a result, the Company has not recorded any depreciation for the period ended August 31, 2021 related to these assets.

Pursuant to the RTO, the Company acquired equipment of $3,470 during the period ended November 30, 2020 (Note 13).

During the period ended November 30, 2020, the Company acquired land from 1088070 BC Ltd. in the Fraser Valley valued at $1,747,970 (Note 3). During the period ended November 30, 2020, the Company recorded impairment on the land of $1,450,000.

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT AND LAND (CONTINUED)

	Leasehold Improvements	Equipment	Land	Total
	$	$	$	$
Balance, August 31, 2018	12,208	-	-	12,208
Additions	659,007	-	-	659,007
Balance, August 31, 2019	671,215	-	-	671,215
Acquired through RTO (Note 13)	-	3,470	-	3,470
Acquired through the acquisition of 1088070 BC Ltd.	-	-	1,747,970	1,747,970
Additions	46,265	-	-	46,265
Impairment	-	-	(1,450,000)	(1,450,000)
Balance, November 30, 2020 and August 31, 2021	**717,480**	**3,470**	**297,970**	**1,018,920**

7. EXPLORATION AND EVALUATION ASSETS

	Grand Falls – Windsor
	$
Balance, August 31, 2018 and 2019	-
Acquired through RTO (Note 12)	211,516
Spin-Off of assets (Note 13)	(211,516)
Balance, November 30, 2020 and August 31, 2021	**-**

The Company acquired exploration and evaluation assets through the completion of the RTO (Note 13).

The Company completed a Spin-Off of assets to its subsidiary Mountain Lake Minerals Inc. ("Spinco") during the period ended November 30, 2020 (Note 14).

8. INVESTMENT

Rock Creek Farms Joint Venture

On June 30, 2020 and amended March 10, 2021, the Company entered into an agreement (the "Investment Agreement") with Rock Creek Farms Ltd. ("Rock Creek") for the formation of 1293953 BC Ltd. (the "Rock Creek Farms Joint Venture"), which is 49% owned by Pac Roots and 51% by Rock Creek Farms Ltd. The Company's contribution to the joint venture was an aggregate of $300,000 in capital. The Company contributed the capital in the prior year. Rock Creek will contribute two commercial leases, consulting services, cultivation equipment, agricultural infrastructure and intellectual property relating to commercial scale hemp operations and proprietary biomass storage techniques (the "Rock Creek Capital Contribution"). Profits generated from the joint venture will be distributed first to the Company until its capital contributions have been repaid and thereafter in accordance with the interests in the joint venture held by the parties. During the period ended August 31, 2021, the Company contributed an $35,000 to the Rock Creek Farms Joint Venture. As at August 31, 2021 the Company has $335,000 (November 30, 2020 - $300,000) recorded in the investment in the Rock Creek Farms Joint Venture.

On March 11, 2021, the Company was issued 300,000 shares of 1293953 BC Ltd. Pursuant to the Investment Agreement signed with Rock Creek Farms Ltd., these shares effectively represent 49% of the Rock Creek Farms Joint Venture owned by the Company.

(Expressed in Canadian Dollars)

8. INVESTMENT (CONTINUED)

Rock Creek Farms Joint Venture (Continued)

Under equity accounting, the Company's share of the Rock Creek Joint Venture's losses for the period ended August 31, 2021 totaled $16,124.

The table below provides a continuity of the Rock Creek Farms Joint Venture investment:

	August 31, 2021 $	March 11, 2021 $
Opening balance	300,000	-
Acquisition	-	300,000
Contribution to joint venture (Note 6)	35,000	-
Loss on equity investment	(16,124)	-
Ending balance	**318,876**	**300,000**

The tables below provide a summary of Rock Creek Farms Joint Venture's financial position and profit and loss:

Summary statements of financial position as at	August 31, 2021 $	March 11, 2021 $
Non-current assets	17,641	23,120
Total assets	1,414,590	1,447,375
Current liabilities	75	75
Non-current liabilities	334,964	334,964
Shareholders' equity (deficiency)	1,079,551	1,112,336
Total liabilities and shareholders' equity (deficiency)	1,414,590	1,447,375

Summary statements of comprehensive loss for the periods ended	August 31, 2021 $	March 11, 2021 $
Operating general and administration expenses	32,785	-
Other income (expenses)	-	-
Net loss and comprehensive loss	32,785	-

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2021	**November 30, 2020**
Accounts payable	$ 40,627	$ 381,485
Amounts due to related parties (Note 12)	385,315	442,965
Accrued liabilities	94,756	2,363
	$ 520,698	**$ 826,813**

10. LOAN PAYABLE

On November 4, 2020, Phenome One Corp., a company controlled by a common officer, lent $40,000 to the Company, without interest payable on the unpaid principal. The condition of the loan is that the loan is to be repaid in full by the Company upon the next close of the private placement. The Company repaid the loan during the period ended August 31, 2021.

On February 1, 2021, an unrelated party, lent $10,000 to the Company, without interest payable on the unpaid principal. The condition of the loan is that the loan is to be repaid in full by the Company upon the next close of the private placement. The Company repaid the loan during the period ended August 31, 2021.

10. LOAN PAYABLE (Continued)

On February 1, 2021, Gregg Bromley., an unrelated party, lent $20,000 to the Company, without interest payable on the unpaid principal. The condition of the loan is that the loan is to be repaid in full by the Company upon the next close of the private placement. The Company repaid the loan during the period ended August 31, 2021.

On February 15, 2021, a company controlled by the CEO, lent $217,797 to the Company, without interest payable on the unpaid principal to pay the cash consideration owed for the 1088 transaction (Note 3). The condition of the loan is that the loan is to be repaid in full by the Company upon the next close of the private placement. The Company repaid the loan during the period ended August 31, 2021.

As at August 31, 2021, the Company has total loans payable of $Nil (November 30, 2020 - $40,000).

11. SHARE CAPITAL

Common shares

The Company's authorized capital consists of an unlimited number of common shares without par value. As at August 31, 2021, there were 87,027,899 issued and outstanding common shares.

During the nine months ended August 31, 2021, the Company had the following transactions that resulted in the issuance of its common shares:

- On January 28, 2021, the Company issued 2,500,000 common shares valued at $576,359 issued for the Phenom License pursuant to the terms of the Phenome Agreement (Note 3).
- On February 22, 2021, the Company issued 6,000,000 common shares valued at $1,410,000 pursuant to the Grasstown acquisition (Note 3).
- On February 23, 2021, the Company closed a non-brokered private placement of 7,448,255 units with a fair value of $1,750,341. Each Unit consists of one common share and one share purchase warrant. Each warrant is exercisable at a price of $0.30 per share until February 23, 2024. Using the residual method, $409,654 was attributed to the warrants. Aggregate finder's fees of $75,295 in cash and 408,303 finders warrants with a fair value of $76,110 were paid to finders. Each finder warrant is exercisable into one common share at a price of $0.18 per share until February 23, 2024.

During the fifteen months ended November 30, 2020, the Company had the following transactions that resulted in the issuance of its common shares:

- In April, the Company returned 11,322 common shares previously issued to Sunset Lake Resources pursuant to terms of a prior arrangement by MLK. During the period, the terms expired without issuance of these shares.
- On April 28, 2020, the Company issued 5,500,004 Units for gross proceeds of $1,650,000, of which $417,610 share subscriptions were received in advance by MLK. Each Unit comprises of one common share and one share purchase warrant. Each whole warrant is exercisable at $0.50 for two years. The Company paid $63,907 in share issuance costs and issued 213,022 finder warrants with a fair value of $35,013. The finder warrants are also exercisable at $0.50 for two years.
- On April 28, 2020, the Company issued 40,000,000 common shares and recorded $60,000 as transaction cost for 200,000 common shares issued as finder's fees pursuant to the RTO (Note 12).
- On April 28, 2020, the Company issued 3,383,333 common shares valued at $1,015,000 issued to Go Green, pursuant to terms of the Agreement (Note 3).
- On April 28, 2020, October 6, 2020 and October 28, 2020 the Company issued an aggregate of 7,500,000 common shares valued at $2,034,666 issued for the Phenome License pursuant to the terms of the Phenome Agreement (Note 3).

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Common shares (Continued)

- On September 2, 2020, the Company closed a non-brokered private placement for gross proceeds of $470,750 through the issuance of 1,883,000 of Units. Each Unit comprises of one common share and one share purchase warrant. Each whole warrant is exercisable at $0.40 for two years. The Company paid $23,100 in share issuance costs and issued 92,400 finder warrants with a fair value of $16,332. The finder warrants are exercisable at $0.25 for two years.
- On October 5, 2020, the Company issued 375,000 common shares valued at $106,177 issued to 1088 Shareholders, pursuant to the terms of the 1088 Agreement (Note 3)

Stock Options

The Company has a Stock Option Plan (the "Plan") which provides that the number of options granted may not exceed 10% of the issued and outstanding shares. Options granted under the Plan generally have a ten-year term and are granted at a price no lower than the market price of the common shares at the time of the grant.

On June 8, 2020, the Company granted 3,650,000 stock options to directors, officers, and consultants of the Company expiring on June 8, 2023 with an exercise price of $0.205. The fair value of the stock options granted was $554,461. The fair value was calculated using the Black-Scholes model with the following assumptions: share price at grant date - $0.205; exercise price - $0.205; expected life – 3 years; expected volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.32%. Expected volatility was determined based on comparable companies in the same industry.

On January 12, 2021, the Company granted 3,450,000 stock options to directors, officers, and consultants of the Company expiring on January 12, 2024 with an exercise price of $0.15. The fair value of the stock options granted was $509,949. The fair value was calculated using the Black-Scholes model with the following assumptions: share price at grant date - $0.19; exercise price - $0.15; expected life – 3 years; expected volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.23%. Expected volatility was determined based on comparable companies in the same industry.

On February 23, 2021, the Company granted 400,000 stock options to directors, officers, and consultants of the Company expiring on February 23, 2024 with an exercise price of $0.15. The fair value of the stock options granted was $69,651. The fair value was calculated using the Black-Scholes model with the following assumptions: share price at grant date - $0.235; exercise price - $0.235; expected life – 3 years; expected volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.31%. Expected volatility was determined based on comparable companies in the same industry.

A summary of the Company's stock option activity for the period ended August 31, 2021 is as follows:

	Number of stock option		Weighted average exercise price
At August 31, 2018 and 2019	-	$	-
Stock options granted	3,650,000		0.2050
At November 30, 2020	3,650,000		$ 0.2050
Stock options granted	3,850,000		0.1590
At August 31, 2021	7,500,000		0.1813

The weighted average remaining life of the stock options outstanding is 2.08 years as at August 31, 2021 (November 30, 2020 – 2.52 years).

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Warrants

A summary of the Company's warrant activity for the period ended August 31, 2021 is as follows:

	Number of warrants		Weighted average exercise price
At August 31, 2018 and 2019	-	$	-
Warrants assumed from RTO (Note 12)	6,914,333		0.50
Warrants issued	7,688,426		0.47
At November 30, 2020	14,602,759	$	0.49
Warrants issued	7,866,558		0.294
Warrants expired	(6,914,333)		0.50
At August 31, 2021	15,554,984		0.382

On April 28, 2020, the Company issued 5,500,004 warrants pursuant to the private placement described above. Each warrant entitles the holder to purchase one common share at $0.50 per common share for two years from the date of issuance. Using the residual method, no value was attributed to the warrants.

On April 28, 2020, the Company issued 213,022 finders' warrants with a fair value of $35,013 pursuant to the private placement described above. The finders' warrants entitle the holder to purchase one common share at a price of $0.50 per common share for two years from the date of issuance. The fair value was calculated using the Black-Scholes model with the following assumptions: share price at grant date - $0.30; exercise price - $0.50; expected life – two years; expected volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.32%.

On April 28, 2020, the Company also extended the term of 6,914,333 existing warrants exercisable at $0.50 per share expiring on dates ranging from March 29, 2020 to August 16, 2020 to April 28, 2021. During the period ended August 31, 2021, all 6,914,333 warrants expired without being exercised.

On September 2, 2020, the Company issued 1,883,000 warrants pursuant to the private placement on the same date. The warrants entitle the holder to purchase one common share at a price of $0.40 per common share for two years from the date of issuance. Using the residual method, no value was attributed to the warrants.

On September 2, 2020, the Company issued 92,400 finders' warrants with a fair value of $16,332 pursuant to the private placement on the same date. The finder warrants entitle the holder to purchase one common share at a price of $0.25 per common share for two years from the date of issuance. The fair value was calculated using the Black-Scholes model with the following assumptions: share price at grant date - $0.25; exercise price - $0.25; expected life – 2 years; expected volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.26%.

On February 23, 2021, the Company issued 7,448,255 warrants pursuant to the private placement on the same date. The warrants entitle the holder to purchase one common share at a price of $0.30 per common shares for three years from the date of issuance. Using the residual method, $409,654 was attributed to the warrants.

On February 23, 2021, the Company issued 418,303 finder warrants with a fair value of $76,110 pursuant to the private placement on the same date. The finders' warrants entitle the holder to purchase one common share at a price of $0.18 per common share for three years from the date of issuance. The fair value was calculated using the Black-Scholes model with the following assumptions: share price at grant date - $0.235; exercise price - $0.18; expected life – 3 years; expected volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.31%.

Expected volatility was determined based on comparable companies in the same industry.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Warrants (Continued)

The following is a summary of warrants outstanding as at August 31, 2021:

Number of warrants	Exercise Price	Expiry Date
	$	
5,713,026 Warrants issued	0.50	April 28, 2022
1,883,000 Warrants issued	0.40	September 2, 2022
92,400 Warrants issued	0.25	September 2, 2022
7,448,255 Warrants issued	0.30	February 23, 2024
418,303 Warrants issued	0.18	February 23, 2024
15,554,984	0.382	

The weighted average useful life of the Company's outstanding warrants as at August 31, 2021 is 1.62 years (November 30, 2020 – 1.00 years).

12. RELATED PARTY TRANSACTIONS

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

The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the periods ended August 31, 2021 and August 31, 2020:

Nine months ended August 31, 2021	**Consulting and Management Fees**	**Share-based Compensation**
Consulting fees paid/accrued to the former CEO	-	87,817
Consulting fees paid/accrued to the Corporate Secretary	18,000	-
Consulting fees paid/accrued to a company controlled by the former CEO	67,500	-
Consulting fees paid/accrued to a company controlled by the former CFO	4,525	-
Share-based payments to the former CFO	-	14,636
Share-based payments to directors of the Company	-	65,863
Share-based payments to a former director of the Company	-	29,272
	$ 90,025	$ 197,588

Twelve months ended August 31, 2020	**Consulting and Management Fees**	**Share-based Compensation**
Management fees paid/accrued to the former President and director	40,000	18,219
Share-based payments to the former CFO	-	36,438
Share-based payments to directors of the Company	-	36,438
Share-based payments to a former director of the Company	-	91,096
Consulting fees paid/accrued to the former CEO	73,500	136,644
	$ 113,500	$ 327,945

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Included in accounts payable and accrued liabilities at August 31, 2021 is $385,315 (November 30, 2020 - $442,965) owing to current and former directors, companies controlled by directors or companies with directors in common (Note 9).

13. REVERSE TAKEOVER TRANSACTION

1157630 B.C. Ltd.

On April 28, 2020, the Go Green Transaction was completed whereby MLK acquired 100% of the issued and outstanding common shares of 1157630 and Go Green in exchange for 40,000,000 common shares issued to 1157630. Immediately prior to the completion of the RTO, MLK had 12,249,629 common shares and 6,914,333 share purchase warrants with a strike price between $0.50 and $1.50 which had their expiry dates extended to April 28, 2021, these warrants previously had expiry dates between March 29, 2020 to August 16, 2020. Upon completion of the RTO, MLK changed its name to Pac Roots Cannabis Corp. Common shares of 1157630 were exchanged for equivalent securities of the Company on the basis of one Pac Roots Cannabis Corp. share for every 1 share of 1157630.

Prior to the completion of the RTO, MLK paid on behalf of 1157630 certain expenses and made cash advances to fund on-going operations.

Concurrent with the Go Green Transaction, the Company spun off its interest in mineral properties interest to its subsidiary 1167343 B.C. Ltd. (“Newco”) (the “Spin-Off”) (Note 14).

In addition, immediately prior to the RTO, MLK paid $250,000 in cash and issued 2,500,000 common shares with a fair value of $2,034,666 and acquired the Phenome License (Note 3).

The RTO has been accounted for as a share-based payment transaction on the basis that MLK did not meet the definition of a business as it had no ongoing business operations. As 1157630 is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying values. MLK’s results of operations have been included from April 28, 2020, the date of the RTO. For purposes of this transaction, the consideration paid was the fair value of the equity of the Company retained by the shareholders of MLK. This amount was calculated as follows:

Fair value of 12,249,629 notional common shares at $0.30 per share	$	3,674,889
Fair value of 6,914,333 warrants assumed		730,000
Total consideration		4,404,889
Cash		161,516
Amount receivable		41,944
Advances to 1157630		2,262,519
Exploration and evaluation assets		211,516
Equipment		3,470
Accounts payable and accrued liabilities		(589,338)
Notes payable		(66,000)
Loans		(300,000)
Share subscriptions received in advance		(417,610)
Net identifiable assets acquired		1,308,017
		3,096,872
Transaction cost, 200,000 shares issued to finders at $0.30 per share		60,000
Listing expense	$	3,156,872

(Expressed in Canadian Dollars)

13. REVERSE TAKEOVER TRANSACTION (CONTINUED)

The fair value of the warrants assumed was calculated using the Black-Scholes model with the following assumptions: share price at grant date - $0.30; exercise price - $0.50; expected life – 1 year; volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.30%.

14. PLAN OF ARRANGEMENT

On May 22, 2020, the Company completed the plan of arrangement ("Arrangement") with Spinco. The Company transferred all of its interest in mineral properties, $550,000 for working capital purposes and certain liabilities (the "Mineral Property Assets"). As consideration for the Mineral Property Assets, all shareholders of the Company as of April 28, 2020 received common shares of the Spinco on a one-for-one basis.

The distribution date for the Spinco shares was May 27, 2020 (the "Distribution Date"). The shares of Spinco will not be listed on any exchange on the Distribution Date.

As the Arrangement occurred between companies under common control and the transfer was reflected at carrying values and was recorded as a capital transaction through equity. The carrying values of the net assets and liabilities transferred and acquired pursuant to the Arrangement consisted of the following:

Mineral Property Assets transferred:		
Cash payable to Spinco	$	550,000
Exploration and evaluation properties		211,516
Notes payable		(66,000)
Accounts payable related to exploration and evaluation properties		(52,989)
Total	$	642,527

After the completion of the Arrangement, the Company does not have any exploration and evaluation properties recorded as at November 30, 2020 and August 31, 2021.

On September 8, 2020, the Company made the cash payment to Spinco of $550,000.

15. CAPITAL MANAGEMENT

The Company's shareholders' equity comprises its capital under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue new business opportunities in the area of cannabis production and distribution and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

(Expressed in Canadian Dollars)

16. CAPITAL MANAGEMENT (Continued)

To fund future operating activities, the Company will need to become profitable in perusing its new business and/or raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the nine months ended August 31, 2021. The Company is not subject to externally imposed capital requirements.

Fair value

The Company classifies its cash as fair value through profit or loss. The carrying values of accounts payable and accrued liabilities, amounts payable, consideration payable, lease liabilities and loan payable, which have been classified as financial liabilities at amortized cost, are measured at amortized cost using the effective interest method.

Assets measured at fair value on a recurring basis were presented on the Company's condensed interim consolidated statement of financial position as at November 30, 2020 and August 31, 2021 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
November 30, 2020				
Assets				
Cash	$ 27,775	$ -	$ -	$ 27,775
August 31, 2021				
Assets				
Cash	$ 2,453	$ -	$ -	$ 2,453

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash.

The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at August 31, 2021, the Company had current liabilities of $1,966,774 (November 30, 2020 - $1,495,659). Based on the current funds held, the Company does not have sufficient working capital for the short term, and thus will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

(Expressed in Canadian Dollars)

16. CAPITAL MANAGEMENT (Continued)

Liquidity risk (Continued)

The following is a table of the Company's maturity of its liabilities as at August 31, 2021.

	Phenome Agreement	1088 Agreement	Go Green Lake County Lease	Vancouver Lease	Total
	$	$	$	$	$
Due in 1 year	150,000	300,000	67,010	5,685	522,695
Due in 2 years	100,000	1,000,000	-	-	1,100,000
	250,000	**1,300,000**	**67,010**	**5,685**	**1,622,695**

Subsequent to the period end, the Company signed a settlement agreement with 1088070 BC. Ltd. to return all issued and outstanding shares of 1088070 BC. Ltd. (Note 17).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company does not hold any equity securities and therefore does not have significant exposure to price risk.

17. SUBSEQUENT EVENTS

On September 8, 2021, Patrick Elliott resigned as CEO and Director and Chris Farnworth was appointed as the new CEO and Director.

On September 16, 2021, the Company signed a settlement agreement with 1088070 BC. Ltd. to return all issued and outstanding shares of 1088070 BC. Ltd.

On October 19, 2021, James Henning resigned as CFO of the Company and Geoff Balderson was appointed as the new CFO.