

Lords & Company Worldwide Holdings Inc.
(formerly: Pac Roots Cannabis Corp.)

Consolidated Financial Statements

**For the year ended November 30, 2021 and
fifteen months ended November 30, 2020**

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Lords & Company Worldwide Holdings Inc. (formerly Pac Roots Cannabis Corp.)

Opinion

We have audited the consolidated financial statements of Lords & Company Worldwide Holdings Inc. (formerly Pac Roots Cannabis Corp.) (the "Group"), which comprise the consolidated statements of financial position as at November 30, 2021 and November 30, 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2021 and November 30, 2020, and its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

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

We obtained the other information prior to the date of this auditor's report. 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 in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
May 2, 2022**

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Consolidated Statements of Financial Position

As at November 30, 2021 and November 30, 2020

(Expressed in Canadian Dollars)

	Note	November 30, 2021	November 30, 2020
ASSETS			
Current assets			
Cash		\$ 4,533	\$ 27,775
Amount receivable		45,325	111,546
Prepaid expenses	6	20,497	219,994
		70,355	359,315
Non-current assets			
Long-term prepaid deposits	6	1,800	336,918
Right-of-use assets	7	-	146,387
Property, equipment and land	8	-	1,018,920
Total assets		\$ 72,155	\$ 1,861,540
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	11, 14	\$ 848,968	\$ 826,813
Consideration payable	5	230,008	503,963
Current portion of lease liabilities	7	-	124,883
Loan payable	12	-	40,000
		1,078,976	1,495,659
Non-current liabilities			
Lease liabilities	7	-	33,887
Consideration payable	5	-	902,324
Total liabilities		1,078,976	2,431,870
Shareholders' deficiency			
Common Shares	13	12,562,455	9,366,815
Share subscriptions	13	50,019	
Commitment to issue shares	5	-	1,056,108
Warrant reserves	13	837,455	781,345
Share-based payments reserves	13	1,129,062	554,461
Deficit		(15,585,812)	(12,329,059)
Total shareholders' deficiency		(1,006,821)	(570,330)
Total liabilities and shareholders' deficiency		\$ 72,155	\$ 1,861,540

Nature of operations and going concern (Note 1)

Subsequent events (Note 20)

On behalf of the Board:*"Chris Farnworth"*

Director

"Matt McGill"

Director

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

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note		Year ended, November 30, 2021		*Fifteen months ended, November 30, 2020
EXPENSES					
Accretion and interest	5, 7	\$	211,177	\$	113,759
Advertising and promotion			251,228		139,642
Amortization of right-of-use asset	7		115,042		121,729
Consulting fees	14		392,023		248,879
Management fees	14		-		40,000
Office and miscellaneous expense			64,676		102,066
Professional fees			243,654		101,793
Rent			10,006		13,924
Regulatory and filing fees			41,756		32,789
Share-based payments	13, 14		574,601		554,461
Total Expenses			(1,904,163)		(1,469,042)
Other Income (Expenses)					
Gain on disposal of subsidiary	5		1,353,620		-
Gain on settlement of debt			1,150		-
Impairment of investments	10		(335,000)		-
Impairment of intangible assets	5		(1,460,000)		(2,781,899)
Interest earned			-		1,156
Listing expense	16		-		(3,156,872)
Write-off of accounts receivable			(106,292)		-
Write-off of deposits			(35,118)		-
Write-off of prepaids			(50,000)		-
Write-down of property, equipment and land	8		(720,950)		(1,450,000)
Total Other Income (Expenses)			(1,352,590)		(7,387,615)
Loss and comprehensive loss for the period		\$	(3,256,753)	\$	(8,856,657)
Basic and diluted loss per share		\$	(0.39)	\$	(2.44)
Weighted average number of shares outstanding*			8,350,844		3,633,274

*In the prior year, the Company changed its fiscal year end and thus the comparative reporting period is the 15 months ended November 30, 2020.

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

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Consolidated Statements of Change in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Number of Common Shares	Amount	Share subscriptions received	Commitment to issue shares	Warrants reserve	Share based payment reserves	Deficit	Total
Balance as at August 31, 2019	4,000,000	\$ 493,685	\$ -	\$ -	\$ -	\$ -	\$ (2,829,875)	\$ (2,336,190)
Shares and warrants issued for RTO (Note 13)	1,224,963	3,674,889	-	-	730,000	-	-	4,404,889
Shares returned to treasury (Note 13)	(1,130)	-	-	-	-	-	-	-
Private placement (Note 13)	738,300	2,120,750	-	-	-	-	-	2,120,750
Share issuance cost (Note 13)	-	(87,007)	-	-	-	-	-	(87,007)
Warrants issued to finders (Note 13)	-	(51,345)	-	-	51,345	-	-	-
Shares issued for Go Green (Note 13)	338,333	1,015,000	-	-	-	-	-	1,015,000
Transaction cost (Note 13)	20,000	60,000	-	-	-	-	-	60,000
Shares issued and to be issued for license (Note 13)	750,000	2,034,666	-	576,360	-	-	-	2,611,026
Shares issued and to be issued for 1088070 BC Ltd. (Note 5 and 13)	37,500	106,177	-	479,748	-	-	-	585,925
Distribution to Shareholders (Note 13)	-	-	-	-	-	-	(642,527)	(642,527)
Share-based payments (Note 13)	-	-	-	-	-	554,461	-	554,461
Net loss for the period	-	-	-	-	-	-	(8,856,657)	(8,856,657)
Balance as at November 30, 2020	7,107,966	9,366,815	-	1,056,108	781,345	554,461	(12,329,059)	(570,330)
Private placement (Note 13)	744,826	1,340,686	-	-	-	-	-	1,340,686
Share issuance cost (Note 13)	-	(75,295)	-	-	-	-	-	(75,295)
Warrants issued to finders (Note 13)	-	(56,110)	-	-	56,110	-	-	-
Shares issued and to be issued for license (Note 5, 13)	250,000	576,359	-	(576,359)	-	-	-	-
Shares issued for Lords of Grasstown Holdings Ltd. (Note 5 and 13)	600,000	1,410,000	-	-	-	-	-	1,410,000
Termination of SPA agreement with 1088070 BC Ltd. (Note 5)	-	-	-	(479,749)	-	-	-	(479,749)
Share subscriptions received	-	-	50,019	-	-	-	-	50,019
Share-based payments (Note 13)	-	-	-	-	-	574,601	-	574,601
Net loss for the year	-	-	-	-	-	-	(3,256,753)	(3,256,753)
Balance as at November 30, 2021	8,702,792	\$ 12,562,455	\$ 50,019	\$ -	\$ 837,455	\$ 1,129,062	\$ (15,585,812)	\$ (1,006,821)

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

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Note	Year Ended November 30, 2021	*Fifteen Months Ended November 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		\$ (3,256,753)	\$ (8,856,657)
Items not affecting cash			
Accretion expense on consideration payable	5	195,562	73,369
Amortization of right-of-use asset	7	115,042	121,729
Interest on lease liabilities	7	15,613	37,127
Impairment of intangible assets	5	1,460,000	2,781,899
Gain on disposal of subsidiary	5	(1,353,620)	-
Gain on settlement of debt	13	(1,150)	-
Impairment of investments	10	335,000	-
Listing expense	16	-	3,156,872
Share-based payments	13, 14	574,601	554,461
Termination of lease and RoU asset	7	(2,742)	-
Write-off of accounts receivable		106,292	-
Write-off of deposits		35,118	-
Write-off of prepaids		50,000	-
Write-off of property, land and equipment	8	720,950	1,450,000
Changes in non-cash working capital items			
(Increase) decrease in amount receivable		(40,071)	(7,859)
(Increase) decrease in prepaid expenses		149,497	(216,935)
Increase (decrease) in accounts payable and accrued liabilities		41,102	10,343
Net cash used in operating activities		(855,559)	(895,651)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from RTO		-	161,516
Consideration paid for Lords of Grasstown	5	(50,000)	-
Consideration paid to 1088	5	(217,797)	-
Investment in Rock Creek	10	(35,000)	(300,000)
Loan to MLK prior to RTO		-	(300,000)
Property and equipment	8	-	(46,265)
Net cash used in investing activities		(302,797)	(484,749)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount paid to Spinco		-	(550,000)
Advances from MLK prior to RTO		-	21,704
Loan received (repaid)	12	(40,000)	40,000
Lease payments	7	(140,296)	(146,473)
Private placement	13	1,265,391	2,033,743
Subscription receivable collected	13	50,019	-
Net cash provided by financing activities		1,135,114	1,398,974
Change in cash during the period		(23,242)	18,574
Cash, beginning of period		27,775	9,201
Cash, end of period		\$ 4,533	\$ 27,775

Supplement cash flow information (Note 15)

*In the prior year, the Company changed its fiscal year end and thus the comparative reporting period is the 15 months ended November 30, 2020.

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

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Notes to the Consolidated Financial Statements

For the year ended November 30, 2021 and fifteen months ended November 30, 2020

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.) (formerly Mountain Lake Minerals Inc., “MLK”), (the “Company” or “Lords”) 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.

Lords is a lifestyle-inspired health, wellness and clothing brands emphasizing chic, urban designs that highlight the wearer’s playful and artistic side. Our clothing line is sold in select specialty lifestyle branded stores and pop-up specialty events on the West Coast, wholesale to reach a greater number of motorcycle and lifestyle stores and, eventually, department stores. Lords’ brands are also sold on our own ecommerce platform, expansion into third party sites which we will explore later in the year.

On February 4, 2022, the Company completed a share consolidation of its common shares on the basis of 1 new common share for every existing 10 old common shares. The share consolidation has been retroactively presented in the consolidated financial statements by adjusting all share amounts, including per share amounts.

These 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; however, the Company has incurred significant operating losses since inception, has a working capital deficit of \$1,008,621 (November 30, 2020 – working capital deficit of \$1,136,344), has a deficit of \$15,585,812 (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. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022.

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Notes to the Consolidated Financial Statements

For the year ended November 30, 2021 and fifteen months ended November 30, 2020

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

These 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 consolidated financial statements.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements were authorized for issue by the Audit Committee and approved and authorized for issue by the Board of Directors on May 2, 2022.

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 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 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These 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.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its principal subsidiaries:

	Jurisdiction	Ownership Interest, November 30, 2021	Ownership Interest, November 30, 2020
Go Green B.C. Medicinal Marijuana Ltd.	Canada	100%	100%
1088070 BC Ltd.	Canada	0%	100%
1157630 BC Ltd.	Canada	100%	100%
Lords of Grasstown Holdings Ltd. (Note 5)	Canada	100%	0%

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

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Notes to the Consolidated Financial Statements

For the year ended November 30, 2021 and fifteen months ended November 30, 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of significant accounting policies used by the Company:

a) Cash and cash equivalents

Cash and cash equivalents include highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the periods presented, the Company does not have any cash equivalents.

b) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at initial recognition at fair value plus any transaction costs that are directly attributable to the acquisition of the financial instruments except for transaction costs related to financial instruments classified as at fair value through profit or loss which are expensed as incurred.

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three categories into which the Company can classify its financial assets:

- (i) **Amortized cost.** A financial asset is measured at amortized cost if the contractual cash flows to repay the principal and interest are made at specific dates and if the Company's business model is to collect the contractual cashflows. Subsequent measurement uses the effective interest method, less any provision for impairment.
- (ii) **Fair value through other comprehensive income (FVOCI).** A financial asset is measured at FVOCI if the Company's business model is both to collect the contractual cashflows and sell assets and the contractual terms of the assets give rise on specified dates to cash flows that are solely repayments of principal and interest. The Company can make an irrevocable election at initial recognition to classify the instruments at FVOCI, with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.
- (iii) **Fair value through profit or loss (FVPL).** A financial asset is measured at FVPL if it cannot be measured at amortized cost or FVOCI. At initial recognition the Company may also irrevocably designate a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

A financial asset is derecognized when the Company no longer has the rights to the contractual cash flows due to expiration of that right or the transfer of the risks and rewards of ownership to another party. The Company recognizes a loss allowance for expected credit losses on its financial assets using the simplified approach which permits the use of the lifetime expected loss provision for all amounts receivables. At each reporting date, the Company assesses impairment of amounts receivable on a collective basis as its amounts receivable possess shared credit risk characteristics and have been grouped based on days past due. The loss allowance will be based upon the Company's historical credit loss experience over the expected life of trade receivables and contract assets, adjusted for forward looking estimates. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company's financial assets consist of cash, which has been classified at FVPL.

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Notes to the Consolidated Financial Statements

For the year ended November 30, 2021 and fifteen months ended November 30, 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial instruments (Continued)

A financial liability is initially classified as measured at amortized cost or FVPL. A financial liability is classified as measured at FVPL if it is held for trading, a derivative, contingent consideration of an acquirer in a business combination, or has been designated as FVPL on initial recognition. Financial liabilities at FVPL are measured at fair value with changes in fair value, along with any interest expense, recognized in profit or loss. All other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities, loan payable, amounts payable to MLK and consideration payable, which have been classified as financial liabilities at amortized cost and are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation is discharged, cancelled or expired.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices in active markets for identical financial instruments.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

c) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Notes to the Consolidated Financial Statements

For the year ended November 30, 2021 and fifteen months ended November 30, 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Income taxes (Continued)

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

d) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the share-based payments reserve. The fair value of the common shares is based on the closing quoted bid price on the announcement date. Consideration received for the exercise of warrants is recorded in share capital and the related residual value in warrants reserve is transferred to share capital. For those warrants that expired, the recorded value is transferred to deficit.

e) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. All share-based payments are reflected in reserves. When options are exercised, the related amount in reserves is reclassified to share capital. When options expire unexercised, the amount in reserves remains in reserves.

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.)

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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.

g) 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. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

h) 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 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 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 have the ability to create outputs.

i) 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 impairment.

Impairment is determined for goodwill by assessing if the carrying value of a cash-generating unit (“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.

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Goodwill (Continued)

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.

j) Intangible assets

Intangible assets consist of in-process license applications acquired by the Company. Intangible assets 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 loss but increases in intangible asset values are not recognized.

Estimated useful lives of intangible assets are the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including 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.

As at November 30, 2021, the Company did not have any capitalized intangible assets.

k) Property, land and equipment

Property and equipment is measured at cost less accumulated depreciation and impairment losses. Property and equipment consist of security equipment and leasehold improvements and is depreciated on a straight-line basis over the term of premise lease to which it relates. Certain of the Company's equipment have not yet been put into use and as a result useful lives have not yet been determined and no depreciation has been recorded to date on this property and equipment.

An asset's residual value, useful life and depreciation 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 through the consolidated statement of loss.

As at November 30, 2021, the Company did not have any capitalized property, land and equipment.

l) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as interest expense.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment of non-current assets

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a CGU, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

n) Leases

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 "accretion and interest" in the consolidated statement of 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.

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.

o) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Equity accounted investments (Continued)

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.

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 November 30, 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 10)	49%	Canada

At November 30, 2021, the Company recognized an impairment on its investment and wrote the value down to \$NIL. The Company's share of any income arising from the entity will be recognized as a recovery.

p) New accounting standards issued but not yet effective

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning after January 1, 2021, or later years. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these consolidated financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the year ended November 30, 2021, and have not been early adopted in preparing these financial statements. These new and amended standards are not expected to have a material impact on the Company's financial statements. The following accounting standards and amendments are effective for future periods:

i. Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022.

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

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

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(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Use of estimates and judgements

The preparation of these financial statements requires management to make estimates, judgements and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgements 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. The more significant areas requiring estimates and judgements are as follows:

a) Recoverability of asset carrying values

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

b) Estimated useful lives and impairment considerations

Depreciation and amortization of property, 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.

c) Business combination vs. asset acquisition

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. More specifically, management concluded that the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisitions during the year were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

d) Discount rate used for consideration payable

The carrying value of the consideration payable is subject to management's estimates in determining an appropriate discount rate based on similar liabilities, the Company's borrowing rate, and other factors.

e) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

5. ASSET ACQUISITION

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:

- a) 250,000 common shares on the date on which the Issuer receives the approval of the CSE for the Fundamental Change Transactions (the “approval date”) (Issued);
- b) 250,000 common shares on the date on which is three months following the approval date (Issued);
- c) 250,000 common shares on the date on which is six months following the approval date (Issued);
- d) 250,000 common shares on the date on which is year following the approval date (Issued);
- e) \$50,000 in cash on the date which is 18 months following the approval date (Paid subsequent to year-end);
- 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 Lords by a former common officer.

In addition, Lords 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 Lords 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. Lords 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 Lords on terms no less favorable than those offered to it. Lords 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, Lords 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 \$3.00 per share and the cash payable to reflect the time value of money. During the period ended November 30, 2020, the Company issued 750,000 common shares with a fair value of \$2,034,666 as a result of the Phenome Agreement and has a remaining commitment to issue 250,000 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 November 30, 2021, the Company recognized accretion expense of \$39,959 and issued the common shares with a discounted value of \$576,360. As at November 30, 2021, the Company has a consideration payable to Phenome of \$230,008 comprised of the present value of the remaining cash payments.

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 November 30, 2021 and November 30, 2020, the balance of intangible assets is \$NIL for the assets acquired from Phenome.

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(Expressed in Canadian Dollars)

5. 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 0909077 BC Ltd. 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 \$1,500,000 in cash and issue an aggregate of 300,000 common shares to the 1088 Shareholders, pro rata in accordance with their holdings as follows (the “Consideration”):

- a) 37,500 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 56,250 common shares within 12 months of the 1088 Closing Date;
- d) \$400,000 in cash and 93,750 common shares within 18 months of the 1088 Closing Date; and
- e) \$600,000 and 112,500 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.

* In February 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 37,500 shares with a fair value of \$106,177 pursuant to terms of the 1088 Agreement and has a remaining consideration payable of 262,500 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 had 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.

On September 15, 2021, the Company signed a settlement agreement with 1088070 BC Ltd. to return all issued and outstanding shares of 1088070 BC Ltd. and terminated the share purchase agreement.

Accordingly, during the year ended November 30, 2021, the Company recognized accretion expense of \$155,603, reduced the consideration payable to \$NIL, reduced the commitment to issue shares from \$479,749 to \$NIL, and recognized a gain on disposal of subsidiary of \$1,353,620.

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For the year ended November 30, 2021 and fifteen months ended November 30, 2020

(Expressed in Canadian Dollars)

5. 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 600,000 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) 600,000 common shares issued on February 22, 2021 (Note 13)

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

During the year ended November 30, 2021, the Company recorded impairment on the intangible assets of \$1,460,000.

6. PREPAID EXPENSES AND DEPOSITS

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

	November 30, 2021	November 30, 2020
Prepaid expenses	\$ 20,497	\$ 219,994
Long-term prepaid deposits	1,800	336,918
	\$ 22,297	\$ 556,912

7. 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 year ended November 30, 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 16). The lease commenced on February 1, 2018 and terminates on March 31, 2022. As at November 30, 2021, the Company terminated the lease. The details of the right-of-use asset and the corresponding lease liability recognized as at November 30, 2021 are as follows:

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(Expressed in Canadian Dollars)

7. 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 November 30, 2021:

	November 30, 2021
Cost	\$
Balance, November 30, 2019	-
Additions upon adoption of IFRS 16	242,890
Balance, November 30, 2020	242,890
Termination of lease	(242,890)
Balance, November 30, 2021	-
Accumulated depreciation	
Balance, November 30, 2019	-
Depreciation	(117,525)
Balance, November 30, 2020	(117,525)
Depreciation	(94,020)
Termination of lease	211,545
Balance, November 30, 2021	-
Carrying amount as at November 30, 2021	-

b) Lease liability

The following is the continuity of lease liability as at and for the period ended November 30, 2021:

	November 30, 2021
	\$
Balance, November 30, 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	(115,661)
Interest expense on lease liability	14,920
Termination of lease	(34,087)
Balance, November 30, 2021	-

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(Expressed in Canadian Dollars)

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

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 November 30, 2021 are as follows:

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 year ended November 30, 2021:

	November 30, 2021
Cost	\$
Balance, November 30, 2019	-
Additions	25,226
Balance, November 30, 2020 and November 30, 2021	25,226
Accumulated depreciation	
Balance, November 30, 2019	-
Depreciation	(4,204)
Balance, November 30, 2020	(4,204)
Depreciation	(21,022)
Balance, November 30, 2021	(25,226)
Carrying amount as at November 30, 2021	-

b) Lease liability

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

	November 30, 2021
	\$
Balance, November 30, 2019	-
Additions	25,226
Lease payments	(1,895)
Interest expense on lease liability	611
Balance, November 30, 2020	23,942
Lease payments	(24,635)
Interest expense on lease liability	693
Balance, November 30, 2021	-

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(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT AND LAND

During the year ended November 30, 2021, the Company purchased certain equipment and incurred leasehold improvement costs of \$NIL (period ended November 30, 2020 - \$46,265) at its Kelowna facility. Pursuant to the RTO, the Company acquired equipment of \$3,470 during the period ended November 30, 2020 (Note 16).

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 5). During the period ended November 30, 2020, the Company recorded impairment on the land of \$1,450,000.

During the year ended November 30, 2021, the Company terminated its share purchase agreement with 1088070 BC Ltd. and terminated the lease agreement. As a result, the Company has recorded impairment on the equipment acquired in the RTO of \$3,470, leasehold improvements of \$717,480, and disposed of the land.

	Leasehold Improvements	Equipment	Land	Total
	\$	\$	\$	\$
Balance, November 30, 2019	671,215	-	-	671,215
Acquired through RTO (Note 16)	-	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	717,480	3,470	297,970	1,018,920
Impairment	(717,480)	(3,470)	-	(720,950)
Disposal of 1088070 BC Ltd.	-	-	(297,970)	(297,970)
Balance, November 30, 2021	-	-	-	-

9. EXPLORATION AND EVALUATION ASSETS

The Company acquired exploration and evaluation assets with a value of \$211,516 through the completion of the RTO (Note 16) and completed a Spin-Off of assets to its subsidiary Mountain Lake Minerals Inc. ("Spinco") during the period ended November 30, 2020 (Note 17).

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10. 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 Lords 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 year ended November 30, 2021, the Company contributed an additional \$35,000 to the Rock Creek Farms Joint Venture. As at November 30, 2021 the Company has \$Nil (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.

During the year ended November 30, 2021, the Company recognized an impairment of the investment for \$335,000 (period ended November 30, 2020 – \$Nil).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2021	November 30, 2020
Accounts payable	\$ 744,800	\$ 442,244
Amounts due to related parties (Note 14)	48,260	382,206
Accrued liabilities	55,908	2,363
	\$ 848,968	\$ 826,813

12. LOAN PAYABLE

On November 4, 2020, Phenome One Corp., a company controlled by a former 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 November 30, 2021.

On February 1, 2021, an arms-length 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 closing of a private placement. The Company repaid the loan during the year ended November 30, 2021.

On February 1, 2021, an arms-length 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 closing of a private placement. The Company repaid the loan during the year ended November 30, 2021.

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

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13. SHARE CAPITAL

Common shares

The Company's authorized capital consists of an unlimited number of common shares without par value. As at November 30, 2021, there were 8,702,792 issued and outstanding common shares.

During the year ended November 30, 2021, the Company had the following transactions that resulted in the issuance of its common shares:

- On February 23, 2021, the Company closed a non-brokered private placement of 744,826 units at a price of \$1.80 for gross proceeds of \$1,340,686. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable at a price of \$3.00 per share until February 23, 2024. Aggregate finder's fees of \$75,295 in cash and 41,830 finders warrants with a fair value of \$56,110 were paid to finders. Each finder warrant is exercisable into one common share at a price of \$1.80 per share until February 23, 2024.
- On February 22, 2021, the Company issued 600,000 common shares valued at \$1,410,000 pursuant to the Grasstown acquisition (Note 5).
- On January 28, 2021, the Company issued 250,000 common shares valued at \$576,359 issued for the Phenom License pursuant to the terms of the Phenome Agreement (Note 5).

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 2020, the Company returned 1,130 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 550,000 units at a price of \$3.00 for gross proceeds of \$1,650,000, of which \$417,610 share subscriptions were received in advance by MLK. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant is exercisable at \$5.00 for two years. The Company paid \$63,907 in share issuance costs and issued 21,302 finder warrants with a fair value of \$35,013. The finder warrants are also exercisable at \$5.00 for two years.
- On April 28, 2020, the Company issued 4,000,000 common shares and recorded \$60,000 as transaction cost for 20,000 common shares issued as finder's fees pursuant to the RTO (Note 16).
- On April 28, 2020, the Company issued 338,333 common shares valued at \$1,015,000 issued to Go Green, pursuant to terms of the Agreement (Note 5).
- On April 28, 2020, October 6, 2020 and October 28, 2020 the Company issued an aggregate of 750,000 common shares valued at \$2,034,666 issued for the Phenome License pursuant to the terms of the Phenome Agreement (Note 5).
- On September 2, 2020, the Company closed a non-brokered private placement for gross proceeds of \$470,750 through the issuance of 188,300 units. Each unit is comprised of one common share and one share purchase warrant. Each whole warrant is exercisable at \$4.00 for two years. The Company paid \$23,100 in share issuance costs and issued 9,240 finder warrants with a fair value of \$16,332. The finder warrants are exercisable at \$2.50 for two years.
- On October 5, 2020, the Company issued 37,500 common shares valued at \$106,177 issued to 1088 Shareholders, pursuant to the terms of the 1088 Agreement (Note 5).

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13. SHARE CAPITAL (Continued)

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 365,000 stock options to directors, officers, and consultants of the Company expiring on June 8, 2023 with an exercise price of \$2.05. 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 - \$2.05; exercise price - \$2.05; 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 345,000 stock options to directors, officers, and consultants of the Company expiring on January 12, 2024 with an exercise price of \$1.50. The fair value of the stock options granted was \$504,950. The fair value was calculated using the Black-Scholes model with the following assumptions: share price at grant date - \$1.90; exercise price - \$1.50; 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 40,000 stock options to directors, officers, and consultants of the Company expiring on February 23, 2024 with an exercise price of \$2.35. 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 - \$2.35; exercise price - \$2.35; 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 year ended November 30, 2021 and period ended November 30, 2020 is as follows:

	Number of stock option	Weighted average exercise price
At November 30, 2019	-	\$ -
Stock options granted	365,000	2.05
At November 30, 2020	365,000	2.05
Stock options granted	385,000	1.59
At November 30, 2021	750,000	\$ 1.81

As at November 30, 2021, the Company’s outstanding stock options expire as follows:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Outstanding	Exercisable
June 8, 2023	1.52	2.05	365,000	365,000
January 12, 2024	2.12	1.50	345,000	345,000
February 23, 2024	2.23	2.35	40,000	40,000
	1.83	1.81	750,000	750,000

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13. SHARE CAPITAL (Continued)

Warrants

A summary of the Company's warrant activity for the year ended November 30, 2021 and period ended November 30, 2020 is as follows:

	Number of warrants	Weighted average exercise price
At November 30, 2019	-	\$ -
Warrants assumed from RTO (Note 16)	691,433	5.00
Warrants issued	738,295	4.70
At November 30, 2020	1,429,728	\$ 4.90
Warrants issued	744,825	3.00
Warrants expired	(691,433)	5.00
At November 30, 2021	1,483,120	\$ 3.87

The following is a summary of warrants outstanding as at November 30, 2021:

Expiry Date	Weighted Average Remaining Contractual		Exercise Price	Outstanding	Exercisable
	Life in Years				
April 28, 2022	0.41		\$ 5.00	549,995	549,995
September 2, 2022	0.76		4.00	188,300	188,300
February 23, 2024	2.23		3.00	744,825	744,825
	1.37		3.87	1,483,120	1,483,120

Agent Warrants

A summary of the Company's agent warrant activity for the year ended November 30, 2021 and period ended November 30, 2020 is as follows:

	Number of agent warrants	Weighted average exercise price
At November 30, 2019	-	\$ -
Agent warrants issued	30,542	4.24
At November 30, 2020	30,542	4.24
Agent warrants issued	41,830	1.80
At November 30, 2021	72,372	\$ 2.83

The following is a summary of agent warrants outstanding as at November 30, 2021:

Expiry Date	Weighted Average Remaining Contractual		Exercise Price	Outstanding	Exercisable
	Life in Years				
April 28, 2022	0.41		\$ 5.00	21,302	21,302
September 2, 2022	0.76		2.50	9,240	9,240
February 23, 2024	2.23		1.80	41,830	41,830
	1.51		2.83	72,372	72,372

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13. SHARE CAPITAL (Continued)

Agent Warrants (Continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent warrants granted. During the year ended November 30, 2021, 41,830 (year ended November 30, 2020 – NIL) agent warrants were issued with a fair value of \$56,110 (year ended November 30, 2020 – \$51,345).

The fair value of agent warrants issued was calculated using the following weighted average assumptions:

	Year Ended November 30, 2021	Year Ended November 30, 2020
Expected life (years)	3	2
Risk-free interest rate	0.31%	0.30
Annualized volatility*	130%	130%
Dividend yield	0.00%	0.00%
Stock price at issue date	\$1.80	\$2.85
Exercise price	\$1.80	\$4.24
Weighted average issue date fair value	\$1.80	\$1.68

*The annualized volatility was determined based on comparable companies in the same industry.

14. 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 November 30, 2021 and November 30, 2020:

	Year ended November 30, 2021	
	Consulting Fees	Share-based Compensation
Consulting fees paid/accrued to the current CEO	\$ 15,000	\$ -
Consulting fees paid/accrued to the former CEO	-	87,817
Consulting fees paid/accrued to the former Corporate Secretary	36,000	43,909
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	5,025	-
Share-based payments to the former CFO	-	14,636
Share-based payments to directors of the Company	-	65,863
	\$ 123,525	\$ 212,225

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(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (Continued)

	Fifteen months ended November 30, 2020	
	Consulting and Management Fees	Share-based Compensation
Management fees paid/accrued to the former President and director	\$ 40,000	\$ 15,191
Share-based payments to the former CFO	-	30,381
Share-based payments to directors of the Company	-	75,954
Share-based payments to a former director of the Company	-	37,977
Consulting fees paid/accrued to the former CEO	96,000	113,930
	\$ 136,000	\$ 273,433

During the year ended November 30, 2021, the Company recorded rent recovery of \$Nil from a company related by a common director and officer (period ended November 30, 2020 - \$13,294)

Included in accounts payable and accrued liabilities at November 30, 2021 is \$48,260 (November 30, 2020 - \$382,206) owing to current and former directors, companies controlled by directors or companies with directors in common.

15. SUPPLEMENTAL CASH FLOW INFORMATION

	For the year ended November 30, 2021	For the fifteen months ended November 30, 2020
	\$	\$
Non-cash financing and investing activities:		
Distribution to shareholders	-	642,527
Fair value of finders' warrants	56,110	51,345
Right-of-use assets acquired by lease arrangements	-	268,116
Shares issued and to be issued for 1088070 BC Ltd.	-	585,925
Shares issued and to be issued for Phenome license	576,359	2,611,026
Shares issued for Go Green	-	1,015,000
Shares issued for Lords of Grasstown Holdings Ltd.	1,410,000	-

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16. 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 4,000,000 common shares issued to 1157630. Immediately prior to the completion of the RTO, MLK had 1,224,963 common shares and 691,433 share purchase warrants with a strike price of \$5.00 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 Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.). Common shares of 1157630 were exchanged for equivalent securities of the Company on the basis of 1 Lords & Company Worldwide Holdings Inc. (formerly: Lords 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 17).

In addition, immediately prior to the RTO, MLK issued 250,000 common shares and acquired the Phenome License (Note 5).

The RTO has been accounted for as an asset acquisition 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 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 1,224,963 notional common shares at \$3.00 per share	\$	3,674,889
Fair value of 691,433 warrants assumed		730,000
Total consideration		4,404,889
Cash		161,516
Amount receivable		41,944
Advances to 1157630		1,844,909
Exploration and evaluation assets		211,516
Equipment		3,470
Accounts payable and accrued liabilities		(589,338)
Notes payable		(66,000)
Loans		(300,000)
Net identifiable assets acquired		1,308,017
		3,096,872
Transaction cost, 20,000 shares issued to finders at \$3.00 per share		60,000
Listing expense	\$	3,156,872

The fair value of the warrants assumed was calculated using the Black-Scholes model with the following assumptions: share price at grant date - \$3.00; exercise price - \$5.00; expected life – 1 year; volatility – 130.00%; annual rate of dividends – 0%; risk-free rate – 0.30%.

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17. 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 November 30, 2021.

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

18. 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.

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 year ended November 30, 2021. The Company is not subject to externally imposed capital requirements.

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18. CAPITAL MANAGEMENT (Continued)

Fair value

The Company classifies its cash as fair value through profit or loss. The carrying values of accounts payable and accrued liabilities, 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 consolidated statement of financial position as at November 30, 2020 and November 30, 2021 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
November 30, 2020				
Assets				
Cash	\$ 27,775	\$ -	\$ -	\$ 27,775
November 30, 2021				
Assets				
Cash	\$ 4,533	\$ -	\$ -	\$ 4,533

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 November 30, 2021, the Company had current liabilities of \$1,078,976 (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.

The following is a table of the Company's maturity of its liabilities as at November 30, 2021, excluding accounts payable and accrued liabilities:

	Phenome Agreement	1088 Agreement	Go Green Lake County Lease	Vancouver Lease	Total
	\$	\$	\$	\$	\$
Due in 1 year	250,000	-	-	-	250,000
	250,000	-	-	-	250,000

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18. CAPITAL MANAGEMENT (Continued)

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.

19. INCOME TAXES

Income tax expense differs from the amount that would result from applying Canadian federal and provincial income tax rates to earnings before income taxes. A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	November 30, 2021	November 30, 2020
Income (loss) before income taxes	\$ (3,256,753)	\$ (8,856,657)
Statutory income tax rate	27%	27%
Expected income tax recovery computed at statutory tax rate	\$ (879,000)	\$ (2,391,000)
Items not deductible (taxable) for tax	(181,000)	1,409,00
True-up	89,000	-
Unrecognized benefit of deferred income tax assets	971,000	982,000
Income tax expense (recovery)	\$ -	\$ -

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19. INCOME TAXES (continued)

The significant components of the Company's unrecognized temporary differences at November 30, 2021, and 2020 are presented below:

	November 30, 2021	November 30, 2020
Share issuance costs	\$ 118,000	\$ 113,000
Non-capital losses	5,094,000	3,902,000
Lease liability	-	12,000
Exploration and evaluation assets	724,000	796,000
Property and equipment assets	731,000	16,000
Intangible assets	3,250,000	3,250,000
Investment	335,000	-
Capital losses	356,000	47,000
	10,608,000	8,136,000
Unrecognized temporary differences	(10,608,000)	(8,136,000)
Net temporary differences	\$ -	\$ -

The Company has non-capital losses of approximately \$5,114,000 (November 30, 2020 - \$3,962,000) available for carry-forward to reduce future years' income for income tax purposes, if not utilized, will start expiring in 2031.

20. SUBSEQUENT EVENTS

On February 16, 2022, the Company completed a private placement for the offering of 2,236,181 units at a price of \$0.11 per unit for gross proceeds of \$245,980. Each unit is comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.20 and expiring on February 16, 2024. In connection with the transaction, the Company paid cash finders' fees of \$15,998 and issued 145,440 agent's warrants as finders' fees, exercisable at a price of \$0.20 and expiring on February 16, 2024.

On April 5, 2022, the Company completed a private placement for the offering of 11,050,238 units at a price of \$0.083 per unit for gross proceeds of \$917,170. Each unit is comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.20 and expiring on April 5, 2024. In connection with the transaction, the Company issued 132,863 common shares to an arm's-length third party for administrative fees related to the private placement.

On November 22, 2021, the Company signed a non-binding letter of intent for the acquisition of all issued and outstanding common shares of PNW Apparel Corp. ("PNW"), the parent entity of Lords of Gastown Motorcycle Company Inc. ("Gastown"), a company that holds all operations, intellectual property, and goodwill pertaining to the lifestyle brand "Lords of Gastown. In consideration for the transaction, the Company will issue common shares equal to the fair market value of PNW, as determined by a third-party independent valuator.

Gastown is a well-established Cannabis Motorcycle lifestyle cannabis and apparel brand with a tremendous following and acumen that spawned from the vision of Tyler Hazelwood, founder, and director of Lords of Gastown. The acquisition is subject to the completion of the aforementioned independent valuation report, due diligence, completion of audited financials, execution of definitive agreements, and regulatory approval.

Related to the transaction with PNW Apparel Corp., the Company has entered into loan agreements whereby the Company has provided loans for a total of \$140,000, bearing an interest rate of 10% per annum to PNW. The loans are due for repayment on July 17, 2022.

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20. SUBSEQUENT EVENTS (Continued)

Subsequent to the year ended November 30, 2021, 549,995 warrants with an exercise price of \$5.00 and 21,302 agent warrants with an exercise price of \$5.00 expired unexercised.