

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

Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)



Crowe MacKay LLP

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Independent Auditor's Report

To the Shareholders of Lords & Company Worldwide Holdings Inc.

Opinion

We have audited the consolidated financial statements of Lords & Company Worldwide Holdings Inc. (the "Group"), which comprise the consolidated statements of financial position as at November 30, 2022 and November 30, 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years 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, 2022 and November 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years 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 Pejman Mahlooji.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada Canada
November 10, 2023**

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

Consolidated Statements of Financial Position

As at November 30, 2022 and November 30, 2021

(Expressed in Canadian Dollars)

	Note	November 30, 2022	November 30, 2021
ASSETS			
Current assets			
Cash		\$ 154,016	\$ 4,533
Amounts receivable	16	234,650	45,325
Prepaid expenses		20,433	20,497
		409,099	70,355
Non-current assets			
Long-term prepaid deposits		1,800	1,800
Total assets		\$ 410,899	\$ 72,155
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	10, 12	\$ 1,026,691	\$ 848,968
Consideration payable	5	200,000	230,008
Total liabilities		1,226,691	1,078,976
Shareholders' deficiency			
Common Shares	11	14,260,930	12,562,455
Share subscriptions	11	(4,350)	50,019
Warrant reserves	11	852,455	837,455
Share-based payments reserves	11, 12	1,129,062	1,129,062
Deficit		(17,053,889)	(15,585,812)
Total shareholders' deficiency		(815,792)	(1,006,821)
Total liabilities and shareholders' deficiency		\$ 410,899	\$ 72,155

Nature of operations and going concern (Note 1)

Subsequent events (Note 6, 11, and 18)

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, 2022	Year ended November 30, 2021
REVENUE	16	\$ 245,430	\$ -
EXPENSES			
Accretion and interest	5	19,992	211,177
Advertising and promotion		18,744	251,228
Amortization of right-of-use asset	7	-	115,042
Consulting fees	12	1,007,000	392,023
Office and miscellaneous expense		72,668	64,676
Professional fees		190,605	243,654
Rent		24,251	10,006
Regulatory and filing fees		52,507	41,756
Selling expense		16,686	-
Share-based payments	11, 12	-	574,601
Total Expenses		(1,402,453)	(1,904,163)
Net loss before other items		(1,157,023)	(1,904,163)
Other Income (Expenses)			
Interest earned		17,814	-
Gain on settlement of debt		-	1,150
Impairment of investments	9	-	(335,000)
Impairment of intangible assets	5	-	(1,460,000)
Gain on disposal of subsidiary	5	-	1,353,620
Write-off of deposits		-	(35,118)
Write-off of prepaids		-	(50,000)
Write-down of property, equipment and land	8	-	(720,950)
Write-down of loans receivable	6	(328,868)	-
Write-off of accounts receivable		-	(106,292)
Total Other Expenses		(311,054)	(1,352,590)
Loss and comprehensive loss for the period		\$ (1,468,077)	\$ (3,256,753)
Basic and diluted loss per share		\$ (0.07)	\$ (0.39)
Weighted average number of shares outstanding		21,030,231	8,350,844

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 November 30, 2020	7,107,966	\$ 9,366,815	\$ -	\$ 1,056,108	\$ 781,345	\$ 554,461	\$ (12,329,059)	\$ (570,330)
Private placement	744,826	1,340,686	-	-	-	-	-	1,340,686
Share issuance cost	-	(75,295)	-	-	-	-	-	(75,295)
Warrants issued to finders	-	(56,110)	-	-	56,110	-	-	-
Shares issued and to be issued for license	250,000	576,359	-	(576,359)	-	-	-	-
Shares issued for Lords of Grasstown	600,000	1,410,000	-	-	-	-	-	1,410,000
Termination of SPA agreement with 1088070 BC Ltd.	-	-	-	(479,749)	-	-	-	(479,749)
Share-based payments	-	-	-	-	-	574,601	-	574,601
Share subscriptions received	-	-	50,019	-	-	-	-	50,019
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)
Private placement	17,745,202	1,533,277	(19,855)	-	-	-	-	1,513,422
Share issuance cost	169,982	(15,998)	-	-	-	-	-	(15,998)
Shares issued for license	603,000	50,000	-	-	-	-	-	50,000
Shares issued for debt	1,660,014	146,196	-	-	-	-	-	146,196
Warrants issued to finders	-	(15,000)	-	-	15,000	-	-	-
Subscriptions transferred to accounts payable and accrued liabilities to settle in cash	-	-	(34,514)	-	-	-	-	(34,514)
Net loss for the year	-	-	-	-	-	-	(1,468,077)	(1,468,077)
Balance as at November 30, 2022	28,880,990	\$ 14,260,930	\$ (4,350)	\$ -	\$ 852,455	\$ 1,129,062	\$ (17,053,889)	\$ (815,792)

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, 2022	Year ended November 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		\$ (1,468,077)	\$(3,256,753)
Items not affecting cash			
Accretion expense on consideration payable	5	19,992	195,562
Amortization of right-of-use asset		-	115,042
Interest earned		(17,814)	-
Interest on lease liabilities		-	15,613
Impairment of intangible assets		-	1,460,000
Gain on disposal of subsidiary		-	(1,353,620)
Gain on settlement of debt		-	(1,150)
Impairment of investments		-	335,000
Share-based payments	11, 12	-	574,601
Termination of lease and RoU asset		-	(2,742)
Write-off of accounts receivable		-	106,292
Write-off of loans receivable	6	328,868	-
Write-off of deposits		-	35,118
Write-off of prepaids		-	50,000
Write-off of property, land and equipment		-	720,950
Changes in non-cash working capital items			
Increase in amounts receivable		(189,325)	(40,071)
Decrease in prepaid expenses		64	149,497
Increase in accounts payable and accrued liabilities		289,405	41,102
Net cash used in operating activities		(1,036,887)	(855,559)
CASH FLOWS FROM INVESTING ACTIVITIES			
Consideration paid to 1088	5	-	(217,797)
Consideration paid to Lords of Grasstown	5	-	(50,000)
Investment in Rock Creek		-	(35,000)
Loan receivable	6	(311,054)	-
Net cash used in investing activities		(311,054)	(302,797)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repaid		-	(40,000)
Lease payments		-	(140,296)
Private placement (net of SIC)	11	1,497,424	1,265,391
Subscription receivable collected		-	50,019
Net cash provided by financing activities		1,497,424	1,135,114
Change in cash during the period		149,483	(23,242)
Cash, beginning of period		4,533	27,775
Cash, end of period		\$ 154,016	\$ 4,533
Supplement cash flow information (Note 13)			

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, 2022

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Lords & Company Worldwide Holdings Inc. (formerly: Pac Roots Cannabis Corp.) (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 rapidly growing e-Commerce organization focused on aggressive expansion of our customers base for their dietary supplement and natural health and wellness products. Powered by a proprietary technology platform, the Company utilizes an e-Commerce Ecosystem to scale its customers brands in the domestic and USA markets.

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. 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.

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 \$817,592 (November 30, 2021 – working capital deficit of \$1,008,621), has a deficit of \$17,053,889 (November 30, 2021 - \$15,585,812), has limited resources, 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 Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges, such as the risk of higher inflation and energy crises, may create further uncertainty with respect to the Company’s ability to execute its business plans.

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.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

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 November 10, 2023.

Basis of measurement and presentation

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, 2022	Ownership Interest, November 30, 2021
1157630 BC Ltd.	Canada	100%	100%
Go Green B.C. Medicinal Marijuana Ltd.	Canada	100%	100%
Lords of Grasstown Holdings Ltd. (Note 5)	Canada	100%	100%

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, 2022

(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, amounts receivable and loan receivable, which has been classified at amortized cost.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(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, 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, 2022

(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

For the year ended November 30, 2022

(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 profit or 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 profit or 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.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(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, 2022, 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 profit or loss.

As at November 30, 2022, 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.

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

Notes to the Consolidated Financial Statements

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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.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

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, 2022, 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 9)	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) Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the Company's revenue streams consisting of the facilitation of marketing campaigns for the sale of white label health and wellness products for its customers ("Merchants"). As the Company acts as the agent in the transactions, revenue is presented in profit or loss net of return allowances, discounts, and cost of sales on a net basis.

To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized at a point in time when the Company satisfies performance obligations by transferring the promised goods or services to its Merchants' customers.

The Company generates revenue from the engagement in and facilitation of marketing campaigns for its Merchants for the sale of white-label health and wellness products to retail customers on an e-commerce platform. Most of the Company's revenues have a single performance obligation, which is the promise to transfer individual goods on behalf of the Merchants. The Company recognizes revenue from its Merchants once all of its significant contractual obligations to the Merchant have been satisfied, the product has been delivered to the customer, and consideration for the order has been collected. These criteria are met upon receipt of the product by the customer as control has passed. Revenue is measured based on the Company's entitlement to campaign profits generated by its Merchants. The Company recognizes revenue net of related costs when the Company acts as an agent in the transaction.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) 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, 2022, 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, 2022, 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.

iii. **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. These amendments are effective for reporting periods beginning on or after January 1, 2023.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(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 the 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.

f) Recoverability of Amounts Receivable

Recoverability of amounts receivable is based on an assessment the collectability of amounts held back by third party payments processors for transactions with customer. The Company assesses historical collection of such amounts amongst other factors, as a basis for evaluating the collectability and related allowance recorded against the amounts receivable.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Use of estimates and judgements (continued)

g) Principal vs. Agent

The Company is required to make judgments with respect to its relationships with customers and contractors. Based on the terms of the arrangements, the Company determines whether it acts as the principal or an agent for the services provided to its customers. The key elements to determine if the Company acts as a principal or an agent are whether it has primarily responsible to fulfill the promise to deliver the services, whether it has inventory risk, and whether it has discretion in establishing the sales prices for the services. In the arrangements entered into during the year, the Company has concluded the Company is acting as an agent.

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 (Issued);
- 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.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

5. ASSET ACQUISITIONS (continued)

Phenome One Corp. (continued)

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 \$576,359. 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 recorded impairment on the intangible assets of \$2,781,899 as the recoverable amount could not be determined reliably. As at November 30, 2022 and November 30, 2021, the balance of intangible assets is \$NIL for the assets acquired from Phenome.

During the year ended November 30, 2021, the Company recognized accretion expense of \$39,959 and issued the common shares with a discounted value of \$576,359. As at November 30, 2022, the Company recognized accretion expense of \$19,992 related to the last two cash payments due and a consideration payable to Phenome of \$200,000 comprised of the fully accreted present value of the remaining cash payments. During the year ended November 30, 2022, the \$50,000 cash due 18 months after the approval date was settled through the issuance of common shares.

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”):

- 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);
- \$200,000* within three months of the Closing Date (paid);
- \$300,000 in cash and 56,250 common shares within 12 months of the 1088 Closing Date;
- \$400,000 in cash and 93,750 common shares within 18 months of the 1088 Closing Date; and
- \$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

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

5. ASSET ACQUISITIONS (continued)

1088070 BC. Ltd. (continued)

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.

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).

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. BUSINESS COMBINATIONS

PNW Apparel Inc.

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 Inc. ("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 22,000,000 common shares at a price of \$0.10 per share with a fair value of \$2,200,000.

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

6. BUSINESS COMBINATIONS (continued)

PNW Apparel Inc. (continued)

Gastown is a cannabis motorcycle lifestyle and apparel brand that spawned from the vision of Tyler Hazelwood, founder, and director of Lords of Gastown.

Related to the transaction with PNW, the Company has entered into loan agreements whereby the Company has provided loans for a total of \$226,000 to be repaid within 30 business days of request by Lords, bearing an interest rate of 10% per annum to PNW. As at November 30, 2022, the Company has recognized accrued interest on the loans for \$14,690. The loans are due on demand.

The Company has also entered into a revolving line of credit agreement whereby the Company may provide to PNW up to the principal sum of \$100,000 to be repaid by August 1, 2023, bearing an interest rate of 1% per month. As at November 30, 2022, the Company has provided total advances of \$85,054 and recognized accrued interest on the loans for \$3,124.

As of November 30, 2022, the Company wrote-off all accrued interest, advances and loans receivable from PNW in the amount of \$328,868 as the Company has determined these amounts to not be collectible, see further below.

On February 14, 2023, the Company completed the acquisition of all issued and outstanding shares of PNW, pursuant to the share purchase agreement effective February 6, 2023, to attain the wholly owned subsidiary Lords of Gastown Motorcycle Company Inc. that specializes in lifestyle and apparel merchandise. As a result of the transaction, the Company issued 22,000,000 common shares to PNW shareholders. The Company also issued 440,000 common shares as administrative fees to a third-party who assisted in the transaction.

At the date of acquisition, the Company determined PNW did constitute a business as defined under IFRS 3, *Business Combinations*, and the PNW acquisition was accounted for as a business combination under the acquisition method. The consideration paid was recognized at the fair value of the common shares of the Company at a price of \$0.10 per share with a fair value of \$2,200,000.

As a result of the acquisition, the Company will engage a valuator to assess the fair value of any intangible assets identified and measurable in accordance with IFRS. The excess of the consideration paid over the fair value of the assets and liabilities assumed from PNW will be capitalized as goodwill.

As at the date of these consolidated financial statements, the preliminary purchase price allocation was in progress of being prepared as the accounting records of PNW and Lords of Gastown Motorcycle Company Inc. were in the process of being reviewed.

As part of the acquisition, the Company identified the Lords of Gastown Motorcycle Company Inc. brand, and its customer base as intangibles acquired. Subsequent to the date of the acquisition, PNW has continued to realize operating losses, with no significant improvements in margins or revenue growth. There will need to be a significant investment made by the Company on various strategic initiatives, to create further growth and improve operating margins. As a result, the value allocated to the intangibles acquired as part of the purchase price allocation would be considered nominal, and any excess purchase price allocated to goodwill is impaired to Nil subsequent to the acquisition.

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

Notes to the Consolidated Financial Statements

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6. BUSINESS COMBINATIONS (continued)

PNW Apparel Inc. (continued)

Further to the acquisition of PNW, significant obligations acquired are as follows:

- \$255,000 in outstanding loans owing to certain creditors of PNW to be paid on or before August 13, 2023. As at the date of these consolidated financial statements, the loans have not been paid and remain outstanding. Management has discussed the arrangement with the creditors of PNW and have agreed to make payments against the balance subject to available working capital;
- Approximately \$333,000 in outstanding loans and advances owing to the Company, see above;
- Approximately \$94,000 in accounts payable and accrued liabilities to creditors of Gastown; and
- \$60,000 in outstanding CEBA loans.

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 that 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:

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, 2022:

	November 30, 2022
Cost	\$
Balance, November 30, 2020	242,890
Termination of lease	(242,890)
Balance, November 30, 2021 and 2022	-
Accumulated depreciation	
Balance, November 30, 2020	(117,525)
Depreciation	(94,020)
Termination of lease	211,545
Balance, November 30, 2021 and 2022	-
Carrying amount as at November 30, 2021 and 2022	-

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

Notes to the Consolidated Financial Statements

For the year ended November 30, 2022

(Expressed in Canadian Dollars)

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Go Green Lake Country Lease (continued)

b) Lease liability

The following is the continuity of lease liability as at and for the period ended November 30, 2022:

	November 30, 2022
	\$
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 and 2022	-

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, 2022 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, 2022:

	November 30, 2022
Cost	\$
Balance, November 30, 2020 and 2021	25,226
Additions	-
Balance, November 30, 2022	25,226
Accumulated depreciation	
Balance, November 30, 2020	(4,204)
Depreciation	(21,022)
Balance, November 30, 2021 and 2022	(25,226)
Carrying amount as at November 30, 2021 and 2022	-

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

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7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Vancouver Lease (continued)

b) Lease liability

The following is the continuity of lease liability as at and for the year ended November 30, 2022:

	November 30, 2022
	\$
Balance, November 30, 2020	23,942
Lease payments	(24,635)
Interest expense on lease liability	693
Balance, November 30, 2021 and 2022	-

8. PROPERTY AND EQUIPMENT AND LAND

Pursuant to the reverse takeover transaction of 1157630 B.C. Ltd. on April 28, 2020, the Company acquired equipment of \$3,470 during the period ended November 30, 2020. During the period ended November 30, 2020, the Company acquired land from 1088070 BC Ltd. in the Fraser Valley valued at \$1,747,970. 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, 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 and 2022	-	-	-	-

9. 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 capital during the period ended November 30, 2020. 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, 2022, the Company has \$Nil (2021 - \$Nil) recorded in the investment in the Rock Creek Farms Joint Venture.

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9. INVESTMENT (continued)

Rock Creek Farms Joint Venture (continued)

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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2022	November 30, 2021
Accounts payable	\$ 910,999	\$ 744,800
Amounts due to related parties (Note 12)	2,000	48,260
Accrued liabilities	113,692	55,908
	\$ 1,026,691	\$ 848,968

11. SHARE CAPITAL

Common shares

The Company's authorized capital consists of an unlimited number of common shares without par value. As at November 30, 2022, there were 28,880,990 issued and outstanding common shares, of which 608,685 are held in escrow. Escrow shares were released 10% on listing (April 28, 2020) and 15% are released on the dates which are 6, 12, 18, 24, 30, and 36 months following the initial release.

During the year ended November 30, 2022:

On August 15, 2022, the Company issued a total of 1,201,881 common shares with a fair value of \$108,170 to vendors to settle an accumulative \$108,170 in amounts owing.

On June 1, 2022, the Company completed a private placement for the offering of 1,808,000 units at a price of \$0.083 per unit for gross proceeds of \$150,064. Each unit is comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.20 and expiring on June 1, 2024. In connection with the transaction, the Company issued 144,640 agent's warrants as finders' fees valued at \$6,000, exercisable at a price of \$0.20 and expiring on June 1, 2024.

On May 20, 2022, the Company completed a private placement for the offering of 3,711,916 units at a price of \$0.083 per unit for gross proceeds of \$308,089. Each unit is comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.20 and expiring on May 20, 2024. In connection with the transaction, the Company issued 37,119 common shares to an arm's-length third party for administrative fees with a fair value of \$3,081 related to the private placement.

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 with a fair value of \$11,028 related to the private placement.

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 with a fair value of \$9,000, exercisable at a price of \$0.20 and expiring on February 16, 2024.

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11. SHARE CAPITAL (continued)

Common shares (continued)

During the year ended November 30, 2021:

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 Phenome License pursuant to the terms of the Phenome Agreement (Note 5).

Stock Options

The Company maintains a rolling stock option plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, with the exercise price of each option being equal to or above the market price of the common shares on the grant date. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

A summary of the Company's stock option activity for the years ended November 30, 2022 and 2021 is as follows:

	Number of stock options	Weighted average exercise price
At November 30, 2020	365,000	\$ 2.05
Stock options granted	385,000	1.59
At November 30, 2021	750,000	1.81
Stock options granted	-	-
At November 30, 2022	750,000	\$ 1.81

As at November 30, 2022, 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⁾	0.52	2.05	365,000	365,000
January 12, 2024	1.12	1.50	345,000	345,000
February 23, 2024	1.23	2.35	40,000	40,000
	0.83	1.81	750,000	750,000

Subsequent to year-end, the stock options with an expiry date of June 8, 2023 expired unexercised (Note 18).

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11. SHARE CAPITAL (continued)

Warrants

A summary of the Company's warrant activity for the years ended November 30, 2022 and 2021 is as follows:

	Number of warrants	Weighted average exercise price
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
Warrants issued	18,806,335	0.20
Warrants expired	(738,295)	4.74
At November 30, 2022	19,551,160	\$ 0.31

The following is a summary of warrants outstanding as at November 30, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Outstanding	Exercisable
February 16, 2024 ¹⁾	1.21	0.10	2,236,181	2,236,181
February 23, 2024	1.23	3.00	744,825	744,825
April 5, 2024 ¹⁾	1.35	0.10	11,050,238	11,050,238
May 20, 2024 ¹⁾	1.47	0.10	3,711,916	3,711,916
June 1, 2024 ¹⁾	1.50	0.10	1,808,000	1,808,000
	1.37	0.21	19,551,160	19,551,160

Subsequent to year-end, the Company repriced 18,806,335 warrants from an exercise price of \$0.20 to \$0.10. 6,319,729 of these warrants were exercised and 12,486,606 warrants expired unexercised pursuant to a warrant expiry acceleration clause (Note 18).

Agent Warrants

A summary of the Company's agent warrant activity for the years ended November 30, 2022 and 2021 is as follows:

	Number of agent warrants	Weighted average exercise price
At November 30, 2020	30,542	\$ 4.24
Agent warrants issued	41,830	1.80
At November 30, 2021	72,372	2.83
Agent warrants issued	290,080	0.20
Agent warrants expired	(30,542)	4.24
At November 30, 2022	331,910	\$ 0.40

The following is a summary of agent warrants outstanding as at November 30, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Outstanding	Exercisable
February 16, 2024	1.21	0.20	145,440	145,440
February 23, 2024	1.23	1.80	41,830	41,830
June 1, 2024	1.50	0.20	144,640	144,640
	1.34	0.40	331,910	331,910

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11. 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, 2022, 290,080 (2021 – 41,830) agent warrants were issued with a fair value of \$15,000 (2021 – \$56,110).

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

	Year ended November 30, 2022	Year Ended November 30, 2021
Expected life (years)	2	3
Risk-free interest rate	2.16%	0.31%
Annualized volatility*	100%	130%
Dividend yield	0.00%	0.00%
Stock price at issue date	\$0.13	\$1.80
Exercise price	\$0.20	\$1.80
Weighted average issue date fair value	\$0.05	\$1.80

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

12. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Chief Executive Officer, and Chief Finance Officer. These transactions are incurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties unless otherwise stated. Remuneration attributed to key management personnel can be summarized as follows:

	Year ended November 30, 2022	
	Consulting Fees	Share-based Compensation
Consulting fees paid/accrued to the current CEO	\$ 105,000	\$ -
Consulting fees paid/accrued to a director	173,000	-
Consulting fees paid/accrued to the current Corporate Secretary	15,000	-
Consulting fees paid/accrued to the former Corporate Secretary	6,000	-
	\$ 299,000	\$ -

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12. RELATED PARTY TRANSACTIONS (continued)

	Year ended November 30, 2021	
	Consulting Fees	Share-based Compensation
Consulting fees paid/accrued to the former CEO	\$ -	\$ 87,817
Consulting fees paid/accrued to the current CEO	15,000	-
Consulting fees paid/accrued to the 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

Included in accounts payable and accrued liabilities at November 30, 2022 is \$2,000 (November 30, 2021 - \$48,260) owing to current and former directors, companies controlled by directors or companies with directors in common.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	For the year ended November 30, 2022 \$	For the year ended November 30, 2021 \$
Cash paid for:		
Interest paid	-	-
Income tax paid	-	-
Non-cash financing and investing activities:		
Fair value of finders' warrants	15,000	56,110
Shares issued and to be issued for Phenome license	50,000	576,359
Shares issued for Lords of Grasstown Holdings Ltd.	-	1,410,000
Shares issued for services	146,196	-
Subscriptions transferred to accounts payable	34,514	-

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14. 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, 2022. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS

Fair value

The Company classifies its cash as fair value through profit or loss, and amounts receivable and loan receivable at amortized cost. The carrying values of accounts payable and accrued liabilities, and consideration 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, 2022 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, 2022				
Assets				
Cash	\$ 154,016	\$ -	\$ -	\$ 154,016
November 30, 2021				
Assets				
Cash	\$ 4,533	\$ -	\$ -	\$ 4,533

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15. FINANCIAL INSTRUMENTS (continued)

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 and amounts receivable. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly-rated financial institutions. Amounts receivable have been collected subsequent to year-end.

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, 2022, the Company had current liabilities of \$1,226,691 (November 30, 2021 - \$1,078,976). 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, 2022, excluding accounts payable and accrued liabilities:

	Phenome Agreement	Total
	\$	\$
Due in 1 year	200,000	200,000
	200,000	200,000

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.

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15. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency rates. The Company is exposed to foreign exchange rate risk as it conducts business in both the United States and Canada. As at November 30, 2022, the Company had cash of US \$82,375, amounts receivable of US \$119,601 and accounts payable of US \$142,166 denominated in USD. A 10% change in the appreciation or depreciation of the Canadian dollar relative to the US dollar would result in a change of approximately \$11,500 to the Company's cash, \$16,200 to the Company's amounts receivable, and \$19,000 to the Company's accounts payable. Management monitors its foreign currency balances, but the Company does not engage in any hedging activities to reduce its 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.

16. OPERATING SEGMENTS

As of November 30, 2022, the Company is operating its business in one reportable segment: the sale of dietary supplement and health and wellness products in the United States (2021 – None). All non-current assets are located in Canada. During the year ended November 30, 2022, the Company had sales of \$245,430 in the United States (2021 - \$Nil) and sales of \$Nil (2021 - \$Nil) in Canada.

As the Company acts as the agent in the revenue stream of facilitating marketing campaigns for the sale of white label health and wellness products, revenue is presented in profit or loss net of return allowances, discounts, and cost of sales on a net basis. As of November 30, 2022, the Company generated gross sales of \$2,842,683 (2021 - \$Nil) with related cost of sales of \$2,597,253 (2021 - \$Nil).

Major customers are defined as customers that each individually account for greater than 10% of the Company's revenues. For the year ended November 30, 2022 and year ended November 30, 2021, no individual customers comprised greater than 10% of revenue.

Amounts receivable is mainly comprised of amounts held back by third party vendors that facilitate payment between customers and merchants.

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17. 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, 2022	November 30, 2021
Income (loss) before income taxes	\$ (1,468,077)	\$ (3,256,753)
Statutory income tax rate	27%	27%
Expected income tax recovery computed at statutory tax rate	\$ (396,000)	\$ (879,000)
Items not deductible (taxable) for tax	41,000	(181,000)
True-up	-	89,000
Unrecognized benefit of deferred income tax assets	355,000	971,000
Income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences at November 30, 2022, and 2021 are presented below:

	November 30, 2022	Expiry	November 30, 2021	Expiry
Share issuance costs	\$ 95,000	2022 – 2026	\$ 118,000	2021 - 2024
Non-capital losses	6,284,000	2031 – 2042	5,094,000	2031 - 2041
Exploration and evaluation assets	724,000	No expiry	724,000	No expiry
Property and equipment assets	731,000	No expiry	731,000	No expiry
Intangible assets	3,250,000	No expiry	3,250,000	No expiry
Investment	335,000	No expiry	335,000	No expiry
Capital losses	685,000	No expiry	356,000	No expiry
	12,104,000		10,608,000	
Unrecognized temporary differences	(12,104,000)		(10,608,000)	
Net temporary differences	\$ -		\$ -	

The Company has non-capital losses of approximately \$6,284,000 (November 30, 2021 - \$5,114,000) available for carry-forward to reduce future years' income for income tax purposes, if not utilized, will start expiring in 2031.

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18. SUBSEQUENT EVENTS

On January 3, 2023, the Company repriced the warrants granted on February 16, 2022, April 5, 2022, May 20, 2022, and June 1, 2022 from an exercise price of \$0.20 to \$0.10.

On January 9, 2023, the Company entered into a loan agreement with PNW Apparel Inc. to provide a loan of \$9,000. The loan bears interest of 10% per annum and is due on demand.

On February 14, 2023, the Company completed the acquisition of all issued and outstanding shares of PNW Apparel Inc., see Note 6 for additional details.

On April 5, 2023, the warrant expiry acceleration clause was triggered and the warrants originally issued on February 16, 2022, April 5, 2022, May 20, 2022, and June 1, 2022 will expire on May 12, 2023. Pursuant to this clause, 12,486,606 warrants with an exercise price of \$0.10 expired unexercised on May 12, 2023.

On April 12, 2023, the Company issued 4,350,000 stock options with an exercise price of \$0.11 to consultants that expire on April 12, 2025.

On June 8, 2023, 365,000 stock options with an exercise price of \$2.05 expired unexercised.

Subsequent to the year ended November 30, 2022, the Company issued 6,319,729 common shares pursuant to the exercise of warrants for gross proceeds of \$631,973.