# Lords & Company Worldwide Holdings Inc.

## Condensed Interim Consolidated Financial Statements

## For the six months ended May 31, 2023

**(Unaudited - Expressed in Canadian Dollars)**

## Notice to Readers

The accompanying unaudited, condensed interim consolidated financial statements of Lords & Company Worldwide Holdings Inc. have been prepared by and are the responsibility of the Company's management.

The financial statements do not include all the information and notes required by International Financial Reporting Standards for annual financial statements and should be read in conjunction with the Company's annual financial statements and notes for the year ended November 30, 2022, which are available on SEDAR at www.sedar.com.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor

**Lords & Company Worldwide Holdings Inc.**
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

| | Note | May 31, 2023 | November 30, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $ 91,664 | $ 154,016 |
| Amount receivable | | 101,854 | 234,650 |
| Prepaid expenses | | 160,678 | 20,433 |
| Loan receivable | 6 | 5,000 | - |
| | | 359,196 | 409,099 |
| **Non-current assets** | | | |
| Long-term prepaid deposits | | 1,800 | 1,800 |
| Intercompany | 6 | 111,601 | - |
| Investment | 6 | 2,200,000 | - |
| **Total assets** | | **$ 2,672,597** | **$ 410,899** |
| **LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 8, 10 | 1,414,119 | $ 1,026,691 |
| Consideration payable | 5 | 200,000 | 200,000 |
| **Total liabilities** | | 1,614,119 | 1,226,691 |
| **Shareholders' deficiency** | | | |
| Common Shares | 9 | 17,092,415 | 14,260,930 |
| Share subscriptions | 9 | (4,350) | (4,350) |
| Warrant reserves | 9 | 852,455 | 852,455 |
| Share-based payments reserves | 9 | 1,369,062 | 1,129,062 |
| Deficit | | (18,251,592) | (17,053,889) |
| **Total shareholders' deficiency** | | 1,058,478 | (815,792) |
| **Total liabilities and shareholders' deficiency** | | **2,672,597** | **$ 410,899** |

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

**On behalf of the Board:**

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

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

**Lords & Company Worldwide Holdings Inc.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

| | Note | Three months ended, May 31, 2023 | Three months ended, May 31, 2022 | Six months ended May 31, 2023 | Six months ended May 31, 2022 |
|---|---|---|---|---|---|
| **REVENUE** | 13 | $ 14,328 | $ 78,425 | $ (25,659) | $ 78,425 |
| **EXPENSES** | | | | | |
| Accretion and interest | 5 | - | 6,612 | - | 13,378 |
| Advertising and promotion | | 196,026 | 7,475 | 267,459 | 13,752 |
| Amortization of right-of-use asset | | - | - | - | - |
| Consulting fees | 10 | 258,899 | 669,590 | 344,899 | 737,934 |
| Office and miscellaneous expense (recovery) | | 52,991 | 55,746 | 168,952 | 71,958 |
| Professional fees | | 89,450 | 62,782 | 121,539 | 99,462 |
| Rent | | - | 5,390 | - | 29,251 |
| Regulatory and filing fees | | 23,631 | 21,240 | 29,195 | 39,234 |
| Share-based payments | 9, 10 | 240,000 | - | 240,000 | - |
| Total Expenses | | 860,997 | 828,835 | 1,172,044 | 1,004,969 |
| Net loss before other items | | (846,669) | (750,410) | (1,197,703) | (926,544) |
| **Other Income (Expenses)** | | | | | |
| Interest earned | | - | 4,061 | - | 4,362 |
| Gain on settlement of debt | | - | - | - | - |
| Gain on write-off of accounts payable | | - | - | - | - |
| Total Other Income (Expenses) | | - | 4,061 | - | 4,362 |
| **Loss and comprehensive loss for the period** | | $ (846,669) | $ (746,349) | $ (1,197,703) | $ (922,182) |
| **Basic and diluted loss per share** | | $ (0.02) | $ (0.05) | $ (0.03) | $ (0.07) |
| **Weighted average number of shares outstanding*** | | 56,087,329 | 17,750,516 | 44,359,799 | 13,423,807 |

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

**Lords & Company Worldwide Holdings Inc.**

Condensed Interim Consolidated Statements of Change in Shareholders' Equity (Deficiency)

(Unaudited - Expressed in Canadian Dollars)

| | Number of Common Shares | Amount | Share subscriptions received | Warrants reserve | Share based payment reserves | Deficit | Total |
|---|---|---|---|---|---|---|---|
| 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 | 16,998,335 | 1,471,239 | (50,019) | - | - | - | 1,421,220 |
| Share issuance cost | 169,982 | (15,998) | - | - | - | - | (15,998) |
| Warrants issued to finders | - | (9,000) | - | 9,000 | - | - | - |
| Share subscriptions received | - | - | 21,385 | - | - | - | 21,385 |
| Net loss for the period | - | - | - | - | - | (922,182) | (922,182) |
| Balance as at May 31, 2022 | 25,871,109 | 12,952,455 | 21,385 | 846,455 | 1,129,062 | (16,507,994) | (502,396) |
| **Balance as at November 30, 2022** | **28,880,990** | **14,260,930** | **(4,530)** | **852,455** | **1,129,062** | **(17,053,889)** | **(815,792)** |
| Acquisition of PNW Apparel Inc. | 22,440,000 | 2,200,000 | - | - | - | - | 2,200,000 |
| Shares issued for warrant exercise | 6,319,729 | 631,973 | - | - | - | - | 631,973 |
| Share-based Compensation | - | - | - | - | 240,000 | - | 240,000 |
| Net loss for the period | - | - | - | - | - | (1,197,703) | (1,197,703) |
| **Balance as at May 31, 2023** | **57,640,719** | **$ 17,092,903** | **$ (4,530)** | **$ 852,455** | **$ 1,369,062** | **$ (17,076,055)** | **$ 1,058,478** |

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

**Lords & Company Worldwide Holdings Inc.**
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

| | Note | Six months ended May 31, 2023 | Six months ended May 31, 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net loss for the period | | (1,197,703) | $ (922,182) |
| Items not affecting cash | | | |
| Accretion expense on consideration payable | 5 | - | 13,387 |
| Interest earned | | - | (4,362) |
| Share-based compensation | | 240,000 | - |
| Changes in non-cash working capital items | | | |
| (Increase) decrease in amount receivable | | 132,796 | (18,349) |
| (Increase) decrease in prepaid expenses | | (140,245) | 10,564 |
| Increase (decrease) in accounts payable and accrued liabilities | | 387,428 | 118,382 |
| Net cash used in operating activities | | (577,724) | (802,569) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Loan to PNW | 6 | (5,000) | (201,050) |
| Intercompany | | (111,601) | |
| Net cash used in investing activities | | (116,601) | (201,050) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Private placement (net of SIC) | 9 | - | 1,376,607 |
| Warrants exercised | 9 | 631,973 | - |
| Net cash provided by financing activities | | 631,973 | 1,376,607 |
| **Change in cash during the period** | | (62,352) | 372,988 |
| Cash, beginning of period | | 154,016 | 4,533 |
| **Cash, end of period** | | 91,664 | $ 377,521 |
| Supplement cash flow information: | | | |
| Interest paid | | $ - | $ - |
| Income tax paid | | $ - | $ - |
| Fair value of finders' warrants | | $ - | $ 9,000 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Lords & Company Worldwide Holdings Inc. (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 our proprietary technology platform, the company has created 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 condensed interim consolidated financial statements by adjusting all share amounts, including per share amounts.

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

Management believes the Company will be successful at securing additional funding to continue its operations; however, the Company has incurred significant operating losses since inception, has a working capital deficit of $1,254,923 (November 30, 2022 – working capital deficit of $817,592), has a deficit of $17,053,889 (November 30, 2022 - $17,053,889), has limited resources, no source of operating cash flows and no assurances that sufficient funding will be available to further its goals and objectives. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

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

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

## 2. BASIS OF PREPARATION

**Statement of compliance**

These condensed interim 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"), Interpretations of the Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34, *Interim financial Reporting*.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee and approved and authorized for issue by the Board of Directors on November 20, 2023.

**Basis of measurement and presentation**

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

**Basis of consolidation**

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

| | Jurisdiction | Ownership Interest, May 31, 2023 | Ownership Interest, November 30, 2022 |
|---|---|---|---|
| Go Green B.C. Medicinal Marijuana Ltd. | Canada | 100% | 100% |
| 1157630 BC 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 condensed interim consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements for the year ended November 30, 2022. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended November 30, 2022.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

**Use of estimates and judgements**

The preparation of these financial statements requires management to make estimates, judgements and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgements and assumptions are subject to measurement uncertainty and affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenues and expenses. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The more significant areas requiring estimates and judgements are as follows:

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

**b) Estimated useful lives and impairment considerations**
Depreciation and amortization of property, equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

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

## 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 (Paid);
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.

(Unaudited - 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”):

a) 37,500 shares to be issued on or before the date which is 30 days from the date of Closing (the “1088 Closing Date”) (Issued);
b) $200,000* within three months of the Closing Date (paid);
c) $300,000 in cash and 56,250 common shares within 12 months of the 1088 Closing Date;
d) $400,000 in cash and 93,750 common shares within 18 months of the 1088 Closing Date; and
e) $600,000 and 112,500 common shares within 24 months after the Closing Date. Pending the payment of the Consideration in full, the Company will grant a mortgage over its land package in favor of the 1088 Shareholders.

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

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

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

(Unaudited - Expressed in Canadian Dollars)

## 6. 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.

## 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.

## 6. PNW ACQUISITION (continued)

PNW Apparel Inc. (continued)

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. Goodwill will be recognized as a result of expected synergies between the e-commerce platform and distribution channels developed by the Company and the product offering and brand power associated with Lords of Gastown.

As at the date of these financial statements, the preliminary purchase price allocation was impracticable to prepare as the accounting records of PNW and Lords of Gastown Motorcycle Company Inc. were still subject to review and conversion from ASPE to IFRS accounting standards.

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 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 $201,000 in accounts payable and accrued liabilities to creditors of Gastown; and

- $60,000 in outstanding CEBA loans.

## 7. INVESTMENT

Rock Creek Farms Joint Venture

On June 30, 2020 and amended March 10, 2021, the Company entered into an agreement (the “Investment Agreement”) with Rock Creek Farms Ltd. (“Rock Creek”) for the formation of 1293953 BC Ltd. (the “Rock Creek Farms Joint Venture”), which is 49% owned by Lords and 51% by Rock Creek Farms Ltd. The Company’s contribution to the joint venture was an aggregate of $300,000 in capital. The Company contributed the capital in the prior year. Rock Creek will contribute two commercial leases, consulting services, cultivation equipment, agricultural infrastructure and intellectual property relating to commercial scale hemp operations and proprietary biomass storage techniques (the “Rock Creek Capital Contribution”). Profits generated from the joint venture will be distributed first to the Company until its capital contributions have been repaid and thereafter in accordance with the interests in the joint venture held by the parties. During the year ended November 30, 2021, the Company contributed an additional $35,000 to the Rock Creek Farms Joint Venture. As at November 30, 2021 the Company has $Nil recorded in the investment in the Rock Creek Farms Joint Venture. On March 11, 2021, the Company was issued 300,000 shares of 1293953 BC Ltd. Pursuant to the Investment Agreement signed with Rock Creek Farms Ltd., these shares effectively represent 49% of the Rock Creek Farms Joint Venture owned by the Company. During the year ended November 30, 2021, the Company recognized an impairment of the investment for $335,000.

(Unaudited - Expressed in Canadian Dollars)

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | May 31, 2023 | November 30, 2022 |
|---|---|---|
| Accounts payable | $ 1,364,119 | $ 910,999 |
| Amounts due to related parties (Note 11) | - | 2,000 |
| Accrued liabilities | 50,000 | 113,692 |
| | **$ 1,414,119** | **$ 1,026,691** |

## 9. SHARE CAPITAL

**Common shares**

The Company's authorized capital consists of an unlimited number of common shares without par value. As at May 31, 2023 there were 57,640,719 issued and outstanding common shares.

<u>During the period ended May 31, 2023:</u>

During the period ended May 31, 2023, the Company issued 6,319,729 common shares pursuant to the exercise of warrants for gross proceeds of $631,973.

On February 14, 2023, the Company completed the acquisition of all issued and outstanding shares of PNW and issued 22,000,000 common shares with a fair value of $2,200,000 to shareholders of PNW. In accordance with the transaction, the Company also issued 440,000 common shares with a fair value of $44,000 as administrative fees to a third-party who assisted in the transaction.

<u>During the year ended November 30, 2022:</u>

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 paid cash finders' fees of $12,005 and 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 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 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 valued at $9,000, exercisable at a price of $0.20 and expiring on February 16, 2024.

(Unaudited - Expressed in Canadian Dollars)

## 9. SHARE CAPITAL (continued)

### 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 period ended May 31, 2023 and year ended November 30, 2022 is as follows:

| | Number of stock options | Weighted average exercise price |
|---|---|---|
| **At November 30, 2021** | 750,000 | $ 1.81 |
| Stock options granted | - | - |
| **At November 30, 2022** | 750,000 | 1.81 |
| Stock options granted | 4,350,000 | 0.11 |
| **At May 31, 2023** | 5,100,000 | $ 0.36 |

As at May 31, 2023, 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 | 0.02 | 2.05 | 365,000 | 365,000 |
| January 12, 2024 | 0.32 | 1.50 | 345,000 | 345,000 |
| February 23, 2024 | 0.74 | 2.35 | 40,000 | 40,000 |
| April 12, 2025 | 1.87 | 0.11 | 4,350,000 | 4,350,000 |
| | 1.64 | 0.36 | 5,100,000 | 5,100,000 |

### Warrants

A summary of the Company's warrant activity for the period ended May 31, 2023 and year ended November 30, 2022 is as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **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 | $ 0.21 |
| | | |
| **At November 30, 2021** | 19,551,160 | $ 0.21 |
| Warrants exercised | (6,319,729) | 0.10 |
| Warrants expired | (12,486,606) | 0.10 |
| **May 31, 2023** | 744,825 | $ 0.73 |

(Unaudited - Expressed in Canadian Dollars)

**9. SHARE CAPITAL** (continued)

**Warrants** (continued)

The following is a summary of warrants outstanding as at May 31, 2023:

| Expiry Date | Weighted Average Remaining Contractual Life in Years | Exercise Price $ | Outstanding | Exercisable |
|---|---|---|---|---|
| February 23, 2024 | 0.84 | 3.00 | 744,825 | 744,825 |
| | 0.84 | 3.00 | 744,825 | 744,825 |

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 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, 6,319,729 warrants with an exercise price of $0.10 expired unexercised on May 12, 2023.

**Agent Warrants**

A summary of the Company's agent warrant activity for the period ended May 31, 2023 and period ended November 30, 2022 is as follows:

| | **Number of agent warrants** | **Weighted average exercise price** |
|---|---|---|
| **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 and May 31, 2023** | 331,910 | $ 0.40 |

The following is a summary of agent warrants outstanding as at May 31, 2023:

| Expiry Date | Weighted Average Remaining Contractual Life in Years | Exercise Price $ | Outstanding | Exercisable |
|---|---|---|---|---|
| February 16, 2024 | 0.72 | 0.20 | 145,440 | 145,440 |
| February 23, 2024 | 0.74 | 1.80 | 41,830 | 41,830 |
| June 1, 2024 | 1.01 | 0.20 | 144,640 | 144,640 |
| | 0.85 | 0.40 | 331,910 | 331,910 |

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent warrants granted. During the period ended May 31, 2023, Nil (year ended November 30, 2022 – 290,080) agent warrants were issued with a fair value of $Nil (year ended November 30, 2022 – $9,000).

(Unaudited - Expressed in Canadian Dollars)

## 9. SHARE CAPITAL (continued)

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

| | **Six Months Ended May 31, 2023** | **Year Ended November 30, 2022** |
|---|---|---|
| Expected life (years) | - | 2 |
| Risk-free interest rate | - | 2.16% |
| Annualized volatility* | - | 100% |
| Dividend yield | - | 0.00% |
| Stock price at issue date | - | $0.13 |
| Exercise price | - | $0.20 |
| Weighted average issue date fair value | - | $0.05 |

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

(Unaudited - Expressed in Canadian Dollars)

## 10. 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:

| Six months ended May 31, 2023 | Consulting Fees | Share-based Compensation |
|---|---|---|
| Consulting fees paid/accrued to the current CEO | $ 60,000 | $ 55,000 |
| Consulting fees paid/accrued to a director | 35,000 | - |
| Consulting fees paid/accrued to the current Corporate Secretary | - | 11,000 |
| | $ 95,000 | $ 66,000 |

| Six months ended May 31, 2022 | Consulting Fees | Share-based Compensation |
|---|---|---|
| Consulting fees paid/accrued to the current CEO | $ 48,000 | $ - |
| Consulting fees paid/accrued to the current CFO | 50,000 | - |
| | $ 98,000 | $ - |

Included in accounts payable and accrued liabilities at May 31, 2023 is $91,836 (November 30, 2022 - $2,000) owing to current and former directors, companies controlled by directors or companies with directors in common.

## 11. 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 period ended May 31, 2023. The Company is not subject to externally imposed capital requirements.

## 12. FINANCIAL INSTRUMENTS

(Unaudited - Expressed in Canadian Dollars)

**Fair value**

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

Assets measured at fair value on a recurring basis were presented on the Company's condensed interim consolidated statement of financial position as at November 30, 2021 and May 31, 2023 are as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Total |
| **May 31, 2023** | | | | |
| Assets | | | | |
| Cash | $ 91,664 | $ - | $ - | $ 91,664 |
| **November 30, 2022** | | | | |
| Assets | | | | |
| Cash | $ 154,016 | $ - | $ - | $ 154,016 |

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

**Credit risk**

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

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

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at May 31, 2023, the Company had current liabilities of $1,428,808 (November 30, 2022 - $1,226,691). 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 May 31, 2023, excluding accounts payable and accrued liabilities:

| | Phenome Agreement | 1088 Agreement | Go Green Lake County Lease | Vancouver Lease | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Due in 1 year | 200,000 | - | - | - | 200,000 |
| | **200,000** | **-** | **-** | **-** | **200,000** |

**12. FINANCIAL INSTRUMENTS** (continued)

**Market risk**

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

(i) Interest rate risk

Interest rate risk consists of two components:

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

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

The Company is not exposed to significant interest rate risk.

(ii) 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.

## 13. OPERATING SEGMENTS

As of May 31, 2023, the Company is operating its business in one reportable segment: the sale of dietary supplement and health and wellness products in the United States. All non-current assets are located in Canada. During the six months ended May 31, 2023, the Company had losses from sales of $1,197,703 in the United States (year ended November 30, 2022 – sales of $245,430) and sales of $(25,596) (year ended November 30, 2022 - $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 May 31, 2023, the Company generated gross sales of $744,563 (year ended November 30, 2022 - $2,842,683) with related cost of sales of $770,222 (2022 - $2,597,253).

Major customers are defined as customers that each individually account for greater than 10% of the Company's revenues. For the six months ended May 31, 2023 and year ended November 30, 2022, no individual customers comprised greater than 10% of revenue.

## 14. SUBSEQUENT EVENTS

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