Christina Lake Cannabis Corp.

Condensed Interim Financial Statements

For the three months ended February 28, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Christina Lake Cannabis Corp. have been prepared by and are the responsibility of management.

These unaudited condensed interim financial statements for the three months ended February 28, 2021 have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

(Expressed in Canadian Dollars - Unaudited)

As at,	Notes		February 28, 2021		November 30, 2020 (Audited)
ASSETS					
Current assets					
Cash		$	1,578,610	$	1,844,356
Taxes receivable			106,875		71,808
Prepaid expenses			465,575		129,964
Inventory	6		6,717,199		6,222,808
			8,868,259		8,268,936
Non-current assets					
Property, plant and equipment	4		9,616,522		9,534,850
TOTAL ASSETS		**$**	**18,484,781**	**$**	**17,803,786**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	7	$	300,903	$	670,929
Current portion of loan	10		3,910		3,910
Current portion of lease liability	11		27,028		29,562
Current portion of preferred shares	13		1,110,784		1,110,784
			1,442,625		1,815,185
Non-current liabilities					
Government loan	8		27,635		26,737
Convertible debentures	9		3,685,542		3,982,218
Non-current portion of loan	10		9,775		10,427
Non-current portion of lease liability	11		-		4,652
Non-current portion of preferred shares	13		2,509,313		2,509,314
TOTAL LIABILITIES			7,674,890		8,348,533
SHAREHOLDERS' EQUITY					
Share capital	13		15,651,768		11,735,608
Equity component of convertible debenture	9		486,900		557,111
Obligation to issue shares	13		227,500		679,500
Reserves	13		2,028,476		2,293,149
Deficit			(7,584,753)		(5,810,115)
TOTAL SHAREHOLDERS' EQUITY			**10,809,891**		**9,455,253**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**18,484,781**	**$**	**17,803,786**

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

Approved on behalf of the Board:

"Joel Dumaresq" *"Gil Playford"*

Joel Dumaresq, Director Gil Playford, Director

(Expressed in Canadian Dollars - Unaudited)

Three months period ended,	Notes		February 28, 2021 $		February 29, 2020 $
Revenue					
Revenue from sale of goods			62,421		-
Cost of sales			(19,711)		-
Gross profit before fair value adjustments			42,710		-
Changes in fair value of inventory sold			(42,815)		-
Fair value change in biological asset			-		-
Gross profit from sale of goods			(105)		-
Expenses					
General and administrative expenses					
Accretion	8,9,11		94,354		-
Consulting fees	12		95,990		50,282
Communication expense			21,749		-
Corporate development			182,936		-
Depreciation	4		239,708		-
Freight			1,303		-
Interest expense	9		157,499		-
Management fees	12		36,000		-
Marketing			109,451		-
Office and miscellaneous			112,770		82,228
Professional fees			98,099		70,311
Salaries	12		425,163		269,810
Share based compensation	12,13		141,104		128,477
Repairs and maintenance			10,743		-
Regulatory fees			44,067		2,470
Total general and administrative expenses			(1,770,936)		(604,578)
Other items					
Loss on sale of equipment			(4,900)		-
Loss and comprehensive loss for the period		**$**	**(1,774,638)**	**$**	**(604,578)**
Loss per share – basic and diluted		**$**	**(0.02)**	**$**	**(0.01)**
Weighted average number of common shares outstanding			**99,716,051**		**76,338,275**

Christina Lake Cannabis Corp.
Condensed Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

		Share capital						
		Common shares						
	Note	Number of shares #	Amount $	Obligation to issue shares $	Equity component of convertible liability $	Reserves $	Deficit $	Total $
Balance at November 30, 2019		**76,119,202**	**8,093,927**	**104,932**	**-**	**539,940**	**(2,957,476)**	**5,781,323**
Loss for the period		-	-	-	-	-	(604,578)	(604,578)
Private placement, net of share issuance cost	13	604,110	120,822	(104,932)	-	-	-	15,890
Share based compensation	13	-	-	-	-	112,587	-	112,587
Balance at February 29, 2020		**76,723,312**	**8,214,749**	**-**	**-**	**652,527**	**(3,562,054)**	**5,305,222**
Balance at November 30, 2020		**90,440,315**	**11,735,608**	**679,500**	**557,111**	**2,293,149**	**(5,810,115)**	**9,455,253**
Loss for the period		-	-	-	-	-	(1,774,638)	(1,774,638)
Private placement, net of share issuance costs	13	5,540,000	1,662,000	(530,000)	-	-	-	1,132,000
Warrants exercised	13	4,251,000	1,153,247	-	-	(52,047)	-	1,101,200
Options exercised	13	1,199,500	423,685	-	-	(224,730)	-	198,955
Conversion of convertible debenture	13	2,996,000	617,228	-	(70,211)	-	-	547,017
Shares issued in lieu of cash	13	300,000	60,000	(60,000)	-	-	-	-
Obligation to issue shares	13	-	-	138,000	-	-	-	138,000
Share based compensation	13	-	-	-	-	12,104	-	12,104
Balance at February 28, 2021		**104,726,815**	**15,651,768**	**227,500**	**486,900**	**2,028,476**	**(7,584,753)**	**10,809,891**

Christina Lake Cannabis Corp.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

Three months ended,	February 28, 2021 $	February 29, 2020 $
Operating activities		
Loss for the period	(1,774,638)	(604,578)
Non-cash items:		
Accretion	94,354	-
Depreciation	239,707	-
Interest expense	157,499	-
Loss on sale of equipment	4,900	-
Share-based compensation	141,104	128,477
Fair value transfer of inventory	42,815	-
Changes in non-cash working capital items:		
Increase in sales tax receivables	(35,068)	(44,873)
Increase in prepaid	(335,611)	1,611
Increase in Inventory	(537,206)	-
Increase in accounts payable and accrued liabilities	(375,226)	593,000
Net cash flows used in operating activities	(2,377,370)	73,637
Investing activities		
Equipment purchases	(283,935)	-
Building improvements	(64,244)	(646,948)
Proceeds from sale of equipment	24,500	-
Net cash flows used in investing activities	(323,679)	(646,948)
Financing activities		
Proceeds from private placement	1,132,000	-
Subscription receivable	-	95,005
Lease liability	(5,200)	-
Options exercised	198,955	-
Warrants exercised	1,101,200	-
Loan payments	(652)	-
Obligation to issue shares	9,000	-
Net cash flows from financing activities	2,435,303	95,005
Increase (decrease) in cash	(265,746)	(478,306)
Cash, beginning of period	1,844,356	740,973
Cash, end of period	**1,578,610**	**262,667**

Supplemental non-cash flow information:

Periods ended,	February 28, 2021 $	February 29, 2020 $
Building improvements in accounts payable	-	101,962
Equipment additions in accounts payable	-	25,809
Shares issued upon conversion of convertible debentures	617,228	-

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

1. Nature and continuance of operations

Christina Lake Cannabis Corp. (the "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. On December 21, 2018, the Company changed its name from Cervantes Capital Corp. to Christina Lake Cannabis Corp. The Company is a licensed producer of cannabis in British Columbia under the Cannabis Act with a standard cultivation, processing and sales license and a research and development license. On October 1, 2020, the Company began trading on the Canadian Securities Exchange under the ticker symbol "CLC" and on the OTC Markets Group Inc. under the ticket symbol "CLCFF."

The Company's principal address, records office and registered address are located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company is in the development stage and currently has no sources of cash from operations. As at February 28, 2021, the Company had accumulated losses of $7,584,753 (2020 - $5,810,115). The Company's continuation as a going concern is dependent upon the Company to successfully harvest its cannabis and earn revenues from the sale of cannabis to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to successfully harvest and sell cannabis to achieve profitability from its business activities.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the extent of the impact is unknown, the Company anticipates this outbreak might increase the difficulty in capital raising which may negatively impact the Company's business operation and financing condition.

2. Basis of preparation

These unaudited condensed interim financial statements were approved and authorized for issue on April 28, 2021 by the directors of the Company.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended November 30, 2020.

2. Basis of preparation (Continued)

Basis of presentation

These condensed interim financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the condensed interim financial statements are presented in Canadian dollars which is the functional currency of the Company.

Significant estimates and assumptions

The preparation of the Company's condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and biological assets, discount rate on lease liability, convertible debentures and preferred shares, assumptions used in the cash flow projection for preferred shares, useful lives and valuation of property, plant and equipment and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

3. Significant accounting policies

The condensed interim financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's annual financial statements, except for the adoption of new accounting standards and/or estimates identified in Note 3. Given that certain information and disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended November 30, 2020, including the accompanying notes thereto.

Recent Accounting Pronouncements

As at the date of authorization of these financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its consolidated financial statements:

(Expressed in Canadian Dollars - unaudited)

3. Significant accounting policies (Continued)

Recent Accounting Pronouncements

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

4. Property, plant and equipment

On March 27, 2020, the Company was granted the Standard Cultivation License ("SCL") from Health Canada for the Company's 32-acre phase 1 facility. This license authorizes the cultivation and sale of cannabis under the Cannabis Act and provides the Company with over 950,000 sf of licensed outdoor cultivation space.

	Right-of-use asset $	Equipment $	Land $	Building $	Building improvement $	Total $
November 30, 2019	-	225,394	1,088,397	394,875	3,471,668	5,180,334
Additions	59,924	2,704,363	-	-	1,814,350	4,578,637
Depreciation	(21,496)	(133,317)	-	-	(69,308)	(224,121)
November 30, 2020	38,428	2,796,440	1,088,397	394,875	5,216,710	9,534,850
Additions	-	286,536	-	-	64,244	350,780
Deduction	-	(29,400)	-	-	-	(29,400)
Depreciation	(7,238)	(161,826)	-	-	(70,644)	(239,708)
February 28, 2021	31,190	2,891,750	1,088,397	394,875	5,210,310	9,616,522

The right-of-use asset relates to leased equipment for the production and cultivation of cannabis. The lease is reflected on the balance sheet as a right-of-use asset, with an associated lease liability (Note 11). The discount rate applied to the lease is 8%.

(Expressed in Canadian Dollars - unaudited)

5. Biological asset

Biological assets are comprised of:

	Amount $
Balance at November 30, 2018 and 2019	-
Changes in fair value less cost to sell due to biological transformation	4,767,202
Production cost capitalized	1,315,032
Transferred to inventory upon harvest	(6,082,234)
Balance at November 30, 2020 and February 28, 2021	-

Measurement of the biological transformation of the plant at fair value less costs to sell begins in the fourth week prior to harvest and is recognized evenly until the point of harvest. The Company has determined the

fair value less costs to sell of cannabis biomass to be $0.20 per gram and harvested yield of biomass is between 1,100 to 1,300 grams per plant.

The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. Only when there is a material change from the expected fair value used for cannabis does the Company make any adjustments to the fair value used.

Sales price used in the valuation of biological assets is based on the average selling price of all cannabis products and can vary based on different strains being grown as well as the proportion of sales derived from wholesale sales. Selling costs vary depending on methods of selling and are considered based on the expected method of selling and the determined additional costs which would be incurred. Expected yields for the cannabis plant is also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing. Management reviews all significant inputs based on historical information obtained.

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

6. Inventory

Inventory is comprised of cannabis biomass:

	Amount $
Balance at November 30, 2019	-
Capitalized cost	140,574
Harvested cannabis biomass	6,082,234
Balance at November 30, 2020	6,222,808
Capitalized cost	494,391
Harvested cannabis biomass	-
Balance at February 28, 2021	6,717,199

(Expressed in Canadian Dollars - unaudited)

6. Inventory (Continued)

During the three-month period ended February 28, 2021, the Company recorded $494,391of production costs. Included in inventory is production cost of $497,377.

As at February 28, 2021, the Company held the following inventory:

	February 28, 2021 Kg	November 30, 2020 Kg
Dried cannabis biomass	25,777	31,210
Distillate	256	-
Crude oil	562	-

7. Accounts payable and accrued liabilities

	February 28, 2021	**November 30, 2020**
Accounts payable	$ 141,122	$ 233,648
Accrued liabilities	159,781	437,281
	$ 300,903	**$ 670,929**

During the year ended November 30, 2020 the Company applied the $30,000 deposits, which was received in 2019 fiscal year, toward a convertible debenture financing, which was completed during the year ended November 30, 2020 (Note 8).

8. CEBA Loan

The Company entered into a Canada Emergency Business Account "CEBA" loan with the Government of Canada.

The loan is an interest free loan of $40,000 from the Government of Canada. If the Government of Canada is repaid by December 31, 2022, 25% being $10,000 will be forgiven. If the Company is not able to repay, the loan will convert into a regular loan with a three-year term at 5% per annum. Upon initial recognition, the Company recorded a gain on government loan of $15,309. During the three-month period ended February 28, 2021, the Company recorded accretion expense of $898 (2020 - $Nil).

9. Convertible debentures

During the year ended November 30, 2020, the Company closed six tranches of unsecured convertible debenture financings ("Debentures") with an aggregate face value of $5,000 each. The Debentures bear interest of 12%, maturing in 24 months and the principal and interest are convertible into common shares at a conversion price of $0.20, at the option of the debenture holders.

On March 13, 2020 the Company closed an unsecured convertible debentures financing for gross proceeds of $1,800,000. The Company paid a finder's fee of $86,700 and issued 433,500 finder's warrants ("Finder's Warrants") with a fair value of $33,304. Each Finder's Warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.20 for a period of 12 months. The fair value of the warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price of $0.20; exercise price of $0.20; a risk-free rate of 0.39%; and an expected life of the warrant of 1 year, and estimated expected volatility of 100% with no dividend yield.

9. Convertible debentures (continued)

On March 23, 2020 the Company closed an unsecured convertible debentures financing for gross proceeds of $815,000. The Company paid a finder's fee of $45,900 and issued 225,000 Finder's Warrants with a fair value of $17,282. Each Finder's Warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.20 for a period of 12 months. The fair value of the warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price of $0.20; exercise price of $0.20; a risk-free rate of 0.36%; an expected life of the warrants of 1 year, and estimated expected volatility of 100% with no dividend yield.

On April 7, 2020. the Company closed an unsecured convertible debentures financing for gross proceeds of $100,000. The Company paid a finder's fee of $6,000 and issued 30,000 Finder's Warrants with a fair value of $2,298. Each Finder's Warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.20 for a period of 12 months from closing. The fair value of the warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price of $0.20; exercise price of $0.20; a risk-free rate of 0.0%; an expected life of the warrants of 1 year, and estimated expected volatility of 100% with no dividend yield.

On May 14, 2020, the Company closed an unsecured convertible debenture financing for gross proceeds of $35,000.

On May 25, 2020, the Company closed an unsecured convertible debentures financing for gross proceeds of $255,000. The Company paid a finder's fee of $15,000 and issued 75,000 Finder's Warrants with a fair value of $5,758. Each finder's warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.20 for a period of 12 months from closing. The fair value of the warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price of $0.20; exercise price of $0.20; a risk-free rate of 0.3%, an expected life of the warrants of 1 year, and estimated expected volatility of 100% with no dividend yield.

On August 20, 2020, the Company closed an unsecured convertible debentures financing for gross proceeds of $1,289,500. The Company paid a finder's fee of $69,605 and issued 7,500 Finder's Warrants with a fair value of $1,461. Each finder's warrant entitles the holder to purchase one common share in the capital of the Company at a price of $0.20 for a period of 12 months from closing. The fair value of the warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price of $0.30; exercise price of $0.20; a risk-free rate of 0.22%; an expected life of the warrants of 1 year, and estimated expected volatility of 100% with no dividend yield.

During the three months ended February 28, 2021, Convertible debentures were converted to shares and 2,996,000 shares were issued, extinguishing $535,000 in principal debt, and related interest.

(Expressed in Canadian Dollars - unaudited)

9. Convertible debentures (continued)

The following table reconciles the recorded value of the liability and the equity components of the convertible debentures:

	Convertible debenture $	Equity component of convertible debenture $	Total $
Balance, November 30, 2019	-	-	-
Additions	3,698,041	595,459	4,294,500
Debt issuance cost	(243,960)	(39,348)	(283,308)
Interest expense	296,413	-	296,413
Accretion expense	231,724	-	231,724
Balance, November 30, 2020	3,982,218	557,111	4,539,329
Conversion	(547,017)	(70,211)	(617,228)
Interest expense	157,499	-	157,499
Accretion expense	92,842	-	92,842
Balance, February 28, 2021	3,685,542	486,900	4,172,442

Management estimated that the fair value of the debentures using a discount rate of 20% with the residual value allocated to the equity component of the convertible debentures.

10. Loan payable

During the year ended November 30, 2020, the Company entered into a loan agreement to purchase equipment for $15,640. The loan bears Nil interest rate and matures in four years.

	$
Balance, November 30, 2019	-
Loan additions	15,640
Repayments	(1,303)
Balance, November 30, 2020	14,337
Repayments	(652)
Balance, February 28, 2021	13,685
Current portion	3,910
Non-current portion	9,775

11. Lease liability

During the year ended November 30, 2020, the Company entered into lease agreements to lease a loader and generator for a period of 2 years. The Company recognized right-of-use asset of $59,924 and lease liability of $59,924. The Company recorded a right-of-use asset for leased equipment in the statement financial position as at November 30, 2020.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 8%, which is the Company's estimated incremental borrowing rate.

(Expressed in Canadian Dollars - unaudited)

11. Lease liability (continued)

The following is a continuity schedule of lease liabilities for the three-month period ended February 28, 2021:

	$
Balance, November 30, 2019	-
Lease additions (Note 4)	59,924
Lease payments	(26,000)
Lease payment transferred to accounts payable	(2,600)
Accretion on lease liability	2,890
Balance, November 30, 2020	34,214
Lease payments	(5,200)
Lease payment transferred to accounts payable	(2,600)
Accretion on lease liability	614
Balance, February 28, 2021	27,028
Current portion	27,028
Non-current portion	-

12. Related party transactions and balances

The Company has identified its directors and certain senior officers as its key management personnel.

During the period, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the three-month period ended February 28, 2021 and February 29, 2020:

	February 28, 2021 $	February 29, 2020 $
Accounting fees paid to a private company controlled by the former CEO	-	9,000
Accounting fees included in Professional fees paid to the CFO	17,786	-
Consulting fees paid to a private company controlled by the former CEO	-	11,275
Consulting fees paid to director of the Company	-	6,250
Lease payments to a company controlled by a director	7,800	-
Management fees paid to CEO	36,000	-
Salaries paid to related parties	61,146	115,412
Share based payments	129,000	-
Shares issued in lieu of cash for consulting fees (Note 13)	-	15,890
	251,732	157,827

As at February 28, 2021, there was $124,813 (November 30, 2020 - $396,720) included in accounts payable and accrued liabilities for related parties of the Company. The balance is unsecured, due on demand and are non-interest bearing.

During the three-month period ended February 29, 2020, the Company paid rent of $1,500 to a private company jointly controlled by the CEO (2020 - $1,500).

During the three-month period ended February 28, 2021, the Company paid lease payments of $7,800 to a private company controlled by a director (2020- $Nil).

During the three-month period ending February 28, 2021, the Company has an obligation to issue 400,000 shares (November 30, 2020 - 250,000 shares) to the CEO in lieu of cash for consulting fees in the amount of $218,500 (November 30, 2020 - $89,500) (Note 13).

13. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of Class B preferred shares.

Issued share capital

At February 28, 2021, there were 104,726,815 (November 30, 2020 – 90,440,315) issued and fully paid common shares outstanding.

At February 28, 2021, there were 2,000,000 (November 30, 2020 – 2,000,000) issued and fully paid Class B preferred shares outstanding.

Preferred shares

During the year ended November 30, 2020, the Company closed a preferred share private placement for total proceeds of $2,000,000 (“Preferred Share Capital”). The Company paid finder’s fees in cash of $15,302 and issued 1,000,000 finder’s shares to Leede Jones Grable Inc., providing strategic advisory services to the Company related to the preferred share private placements.

The following terms apply to the Preferred Shares:

Cumulative dividends on the Preferred Shares shall accrue and become payable in arrears on a monthly basis, for a period of 48 months, based on the following calculation:

- Repayment of Preferred Share Capital: 40% of the total revenue received by the Company from the sale of cannabis oil, hemp oil and other such hemp and cannabis derivative extracts produced by the Company, less the cost of any third-party feedstock (the “Product Revenue”), up to cumulative aggregate Product Revenue of $5,000,000; It shall be payable as a capital repayment of the Preferred shares; and

- Preferred Share Dividend: for cumulative aggregate Product Revenue exceeding $5,000,000, immediately following the repayment of Preferred Share Capital, the Company shall accrue on a monthly basis an amount equal to the sum of: (A) $80 per kilogram of dry cannabis produced and processed by the Company from its own feedstock; and (B) an amount equal to 35% of Product Revenue derived from third party feedstock.

The payment of all accrued and accumulated dividends shall be postponed for that portion of Product Revenue attributable to uncollected revenue (the “Revenue Receivable”) and the balance of the postponed accrued and accumulated dividend shall become payable in the month where the Revenue Receivable is received by the Company. No dividend shall accrue or be payable after 4 years from the date of issuance. The preferred shares are secured by certain production equipment.

The preferred shares have been classified as liability at amortized cost due to the requirement for the Company to deliver cash during the term of the agreement. At inception, the Company determined that the effective interest rate of this financial liability was 20%.

At as November 30, 2020 and February 28, 2021, in light of production data generated from the Company’s 2020 harvest and sales transactions occurred subsequent to year end, the Company revised the estimates of the cash flow projection for preferred shares capital repayment and dividend and recorded a loss of $1,896,095 using the same effective interest rate of 20%. The amortized cost of preferred shares at year end was estimated based on the following assumptions:

(Expressed in Canadian Dollars - unaudited)

13. Share Capital (continued)

Preferred shares (continued)

- Estimated annual production capacity ranging from approximately 17,000 to 40,000 kilograms of dry
- biomass which is highly dependent on weather conditions for growing;
- Estimated distillate yield of approximately of 8-13%;
- Lead time of approximately 4-5 months to process the biomass to distillate oil;
- The Company has been building inventory and subsequent to year end has commenced in sales. The estimated sales price of distillate oil is between $4,000 and $7,000 per kilogram; and
- Payment on delivery.

The following is a continuity schedule for preferred shares as at February 28, 2021:

	$
Balance, November 30, 2019	-
Preferred shares	2,000,000
Deferred transaction costs	(315,302)
Accretion expenses	39,305
Change in estimate of preferred shares	1,896,095
Balance, November 30, 2020 and February 28, 2021	3,620,098
Current portion	1,110,784
Long term portion	2,509,314

Share issuances during the three months ended February 28, 2021

During the three months ending February 28, 2020, the Company issued 4,251,000 common shares pursuant to warrants exercised at prices ranging from $0.20 to $0.40 for gross proceeds of $1,101,200. The Company transferred $52,047 from reserve to share capital.

During the three months ended February 28, 2021, the Company issued 1,199,500 common shares pursuant to stock option exercise at prices ranging from $0.09 to $0.25 for gross proceeds of $198,955. The Company transferred $224,730 from reserve to share capital.

During the three months ended February 28, 2021, Convertible debentures were converted to shares and 2,996,000 shares were issued with a fair value of $617,228, extinguishing $535,000 in principal debt, accretion and related interest.

On December 9, 2020 the Company closed a non-brokered private placement of 5,540,000 units of the Company at a price of $0.30 per unit for gross proceeds of $1,662,000. Each unit consists of one common share and one half of one transferable share purchase warrant, with each whole warrant exercisable into a common share. Each warrant entitles the holder thereof to purchase one additional share at a price of $0.50 per share for a period of two years from the date of issuance.

Share issuances during the three-month period ended February 29, 2020

The Company entered into a departure agreement with the former CEO. Pursuant to the terms of the agreement, the Company issued 604,110 compensation shares on January 27, 2020 with a fair value of $120,822. The Company recorded an obligation to issue shares of $104,932 upon entering the agreement. The obligation was removed and the share capital was increased accordingly, with an additional $15,890 recognized as share based compensation during the three months ended February 29, 2020.

(Expressed in Canadian Dollars - unaudited)

13. Share Capital (continued)

Escrow Shares

As at November 30, 2020, a total of 23,932,239 securities, including 19,977,852 shares (November 30, 2019 – 5,000,000), 3,477,387 warrants (November 30, 2019 – Nil), 477,000 stock options (November 30, 2019 – Nil) and 43 convertible debentures (November 30, 2019 – Nil), are held in escrow and will be released based on the following:

On October 1, 2020, the date on which the Company was listed on Canadian Securities Exchange ("Listing Date"), 2,219,762 common shares were released from escrow. The remaining 19,977,852 common shares will be released pursuant to the following schedule:

On the Listing date	1/10 of the escrow securities
6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities
24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
36 months after the Listing Date	the remaining escrow securities

Warrants

The continuity of the Company's share purchase warrants pursuant is as follows:

	Number of share purchase warrants #	Weighted average exercise price $
Outstanding, November, 30, 2019	17,633,549	0.29
Granted	771,000	0.20
Exercised	(3,606,800)	0.20
Expired	(1,211,250)	0.20
Outstanding, November, 30, 2020	13,586,499	0.32
Exercised	(4,251,000)	0.26
Expired	(224,000)	0.20
Outstanding, February 28, 2021	9,111,499	0.35

As of February 28, 2021, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price $	Number of warrants, issued and exercisable #
October 22, 2022	0.09	1,460,000
December 31, 2021	0.40	7,546,499
April 7, 2021	0.20	30,000
May 25, 2021	0.20	75,000
		9,111,499

On February 21, 2020, the Company extended the expiry dates of 2,293,799 warrants expiring on October 17, 2020 to December 31, 2021.

13. Share Capital (continued)

Warrants

On April 14, 2020, the Company extended the expiry dates of 6,062,500 warrants expiring on September 30, 2020 to December 31, 2021.

On September 14, 2020, the Company extended the expiry dates of 442,200 warrants expiring on September 20, 2020 and 100,800 warrants expiring on October 17, 2020 to December 31, 2021.

Stock Options

On March 1, 2017, the Board of Directors approved the adoption of a fixed Stock Option Plan reserving for issuance, upon the exercise of options granted pursuant to the Stock Option Plan, a maximum of 20% of the issued and outstanding shares of the Company, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the Stock Option Plan. The Stock Option Plan was subsequently replaced with the 2018 Plan which was approved by shareholders at its January 9, 2019 Annual General and Special Meeting. The 2018 Plan is substantively similar to the Stock Option Plan except that it increases the number of common shares reserved under it. The 2018 Plan reserves 8,158,321 common shares (which represents 20% of the Company's outstanding common shares as of the record date for the Meeting), compared to 199,520 under the Stock Option Plan.

On December 13, 2019, the Company issued 1,540,000 Options to certain employees, with a fair value of $257,869, to acquire one additional common share at a price of $0.09 until December 13, 2024. The fair value of the options was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - $0.20; exercise price - $0.09; expected life – 5 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.59%. These stock options vest 33% on issue, 33% on the first anniversary and 34% on the second anniversary. For the year ended November 30, 2020, an amount of $185,943 was recorded as stock-based compensation with a corresponding credit to reserves as a result of the graded vesting terms. For the period ended February 28, 2021, the Company recorded share-based compensation of $37,382.

On August 20, 2020, the Company issued 6,875,000 Options to certain directors, officers and consultants of the Company to acquire one additional common share at price between $0.09 and $0.25 per common share for terms of between six months and five years. The fair value of the options was determined using the Black Scholes Option Pricing Model with the following assumptions summarized in below table. $1,117,284 stock-based compensation was recorded as a result of various vesting terms for the year ended November 30, 2020. During the period ended February 28, 2021, the Company recorded share-based compensation of $171,240.

On September 8, 2020, the Company issued 450,000 Options to certain consultants of the Company to acquire one additional common share at price of $0.25 per common share for three to four years. The fair value of the options was determined using the Black Scholes Option Pricing Model with weighted average assumptions summarized in below table. $47,812 stock-based compensation was recorded as a result of various vesting terms for the year ended November 30, 2020. During the period ended February 28, 2021, the Company recorded share-based compensation of $13,051.

On September 29, 2020, the Company issued 1,250,000 Options to various consultants of the Company to acquire one additional common share at price of $0.20 per common share for five years. The fair value of the options was determined using the Black Scholes Option Pricing Model with weighted average assumptions summarized in below table. $295,776 stock-based compensation was recorded for the year ended November 30, 2020.

(Expressed in Canadian Dollars - unaudited)

13. Share Capital (continued)

Stock Options (continued)

On January 8, 2021, the Company issued 200,000 stock options with an exercise price of $0.88 and expires five years from the date of grant. The fair value of the options was determined using the Black Scholes Option Pricing Model totalling $12,104 with the following weighted average assumptions:

	Three months ending February 28, 2021	Year ending November 30, 2020
Exercise price	$0.88	$0.09 to $0.40
Expected life	3.01 years to 4.76 years	6 months to 5 years
Volatility	100%	100%
Risk-free-rate	0.34%	0.30% to 1.59%

The continuity of the Company's share purchase options is as follows:

	Number of share purchase options #	Weighted average exercise price $
Outstanding, November 30, 2019	5,080,000	0.09
Granted	11,215,000	0.17
Exercised	(2,356,100)	0.11
Cancelled	(300,000)	(0.09)
Outstanding, November 30, 2020	13,638,900	0.15
Granted	200,000	0.88
Exercised	(1,199,500)	0.17
Outstanding, February 28, 2021	12,639,400	0.16

The weighted average price of shares at the time the options were exercised was $0.17.

As of February 28, 2021, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price $	Number of options issued #	Number of options exercisable #
June 1, 2024	0.09	2,670,000	2,670,000
August 14, 2022	0.20	10,000	10,000
December 13, 2024	0.09	1,434,400	920,999
August 20, 2024	0.09	2,500,000	2,500,000
August 20, 2024	0.25	400,000	200,000
August 20, 2023	0.25	50,000	-
August 20, 2025	0.20	350,000	87,500
August 20, 2025	0.25	275,000	106,250
August 20, 2025	0.15	2,250,000	462,500
August 20, 2025	0.09	300,000	75,000
September 08, 2024	0.25	300,000	37,500
September 29, 2025	0.20	10000,000	1,000,000
November 26, 2025	0.40	1,100,000	1,100,000
January 08, 2026	0.88	200,000	-
		12,639,400	9,169,749

13. Share Capital (continued)

Reserve

The reserve account records items recognized as stock-based compensation expense and the fair value of finders' warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital.

Obligation to issue shares

During the three-month period ended February 28, 2021, the Company received $9,000 pursuant to the exercise of options.

During the three-month period ending February 28, 2021, the Company has an obligation to issue 400,000 shares (November 30, 2020 - 250,000 shares) to the CEO in lieu of cash for consulting fees in the amount of $218,500 (November 30, 2020 - $89,500).

During the year ended November 30, 2020, the Company recorded an obligation to issue shares of $679,500. The Company received $530,000 in cash for a private placement that was completed on December 9, 2020.

14. Financial instruments

The Company classifies its financial instruments into categories as follows: cash and subscriptions receivable as financial assets at amortized cost, and accounts payable, preferred shares, convertible debenture and government loan as other financial liabilities at amortized cost.

Fair value

Cash is carried at fair market value based on quoted market prices in an active market. The carrying value of accounts payable approximate its fair values due to the short-term nature of these financial instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

Cash is measured using level 1 inputs. Preferred shares are measured using level 3 inputs.

15. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

15. Financial risk and capital management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and subscription receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of February 28, 2021, the Company has cash of $1,578,610 (November 30, 2020 - $1,844,356) to cover short term obligations.

Historically, the Company's sole source of funding has been loans from related parties, convertible debentures, preferred share financings and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at February 28, 2021, the Company has convertible debentures of $4,208,411 and government loans of $40,000, which bears a fixed interest rate and a nil interest rate, respectively. As such, the Company's interest rate risk is low.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

16. Subsequent events

Subsequent to February 28, 2021, 135,000 Warrants were exercised at prices ranging from $20 to $0.40 per share for gross proceeds of $48,000

Subsequent to the quarter February 28, 2021, Convertible debentures were converted to shares and 140,000 shares were issued, extinguishing $25,000 in principal debt, and related interest