

**Condensed Interim Consolidated Financial Statements**

**PeakBirch Logic Inc.**  
**(formerly Kootenay Zinc Corp.)**

**For the three months ended January 31, 2021 and 2020**  
(Unaudited - Expressed in US Dollars)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management and have been approved by the board of directors.

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

**PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at**  
*(Expressed in US Dollars)*

	Note	January 31, 2021 (unaudited)	October 31, 2020 (audited)
<b>Assets</b>			
Current assets			
Cash		\$ 295,593	\$ 231,700
Sales tax recoverable and other receivables	5	30,418	52,719
Prepaid assets		137,300	219,454
Inventory		3,755	7,310
<b>Total current assets</b>		<b>467,066</b>	<b>511,183</b>
Non-current assets			
Equipment	6	2,235	2,794
Intangible assets	7	2,131,968	2,123,505
<b>Total assets</b>		<b>\$ 2,601,269</b>	<b>\$ 2,637,482</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	10	\$ 818,413	\$ 614,484
Accrued liability		188,380	260,802
Promissory notes	8	46,099	42,618
Loans payable	9	31,299	30,522
Derivative liability	8	318,523	338,258
<b>Total current liabilities</b>		<b>1,402,714</b>	<b>1,286,684</b>
Non-current liabilities			
Loans payable	9	24,475	23,114
Promissory notes	8	1,041,252	936,667
<b>Total liabilities</b>		<b>2,468,441</b>	<b>2,246,465</b>
<b>Shareholders' equity</b>			
Share capital	11	30,819,074	30,819,074
Contributed surplus	11	973,822	973,822
Warrant reserve	11	701,666	701,666
Foreign exchange translation reserve	11	51,183	(26,376)
Deficit		(32,412,917)	(32,077,169)
<b>Total shareholders' equity</b>		<b>132,828</b>	<b>391,017</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 2,601,269</b>	<b>\$ 2,637,482</b>

Nature of operations and going concern (Note 2)  
Subsequent events (Note 17)

**Approved and authorized by the Board on April 1 2021.**

(signed) "Marc Mulvaney"  
\_\_\_\_\_  
Marc Mulvaney  
Director

(signed) "Usama Chaudhry"  
\_\_\_\_\_  
Usama Chaudhry  
Director

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

**PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive loss**  
**For the three months ended January 31,**  
*(Unaudited) (Expressed in US Dollars)*

	Note	2021	2020
<b>Revenue</b>	16	\$ 1,371,507	\$ 572,879
<b>Cost of sales</b>		1,133,016	461,491
		238,491	111,388
<b>Expenses</b>			
Selling		144,462	132,210
Accounting and audit fees		26,368	9,000
Amortization	6,7	74,982	8,513
Consulting	10	136,339	95,402
General and administrative		7,196	4,576
Insurance expense		30,251	37,493
Legal fees		12,871	1,392
Salaries	10	26,313	23,851
Transfer agent		3,813	-
		462,595	312,437
<b>Other items</b>			
Other income	4	59	1,326
Gain on change in fair value of derivative liability	8	33,748	-
Foreign exchange loss		(51,655)	(4,294)
Interest and accretion expense	8,9	(104,204)	(15)
Indemnification provision for flow-through shares		10,408	-
<b>Net loss</b>		\$ (335,748)	\$ (204,032)
Translation adjustment		77,559	-
<b>Comprehensive loss</b>		<b>(258,189)</b>	<b>(204,032)</b>
<b>Net loss per share</b>			
Basic and diluted		\$ (0.00)	\$ (0.00)
<b>Weighted average number of outstanding common shares</b>			
Basic and diluted		93,902,230	61,300,000

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

**PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**  
**For the three months ended January 31, 2021 and 2020**  
*(Unaudited) (Expressed in US Dollars)*

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Warrant Reserve	Foreign exchange translation reserve	Deficit	Total
			\$	\$	\$	\$	\$	\$
<b>Balance as at November 1, 2019</b>		<b>61,300,000</b>	<b>2,824,963</b>	<b>419,493</b>	-	-	<b>(3,539,580)</b>	<b>(295,124)</b>
Net loss and comprehensive loss		-	-	-	-	-	(204,032)	(204,032)
<b>Balance as at January 31, 2020</b>		<b>61,300,000</b>	<b>2,824,963</b>	<b>419,493</b>	-	-	<b>(3,743,612)</b>	<b>(499,156)</b>
<b>Balance as at October 31, 2020</b>		<b>93,902,230</b>	<b>30,819,074</b>	<b>973,822</b>	<b>701,666</b>	<b>(26,376)</b>	<b>(32,077,169)</b>	<b>391,017</b>
Net loss and comprehensive loss		-	-	-	-	77,559	(335,748)	(258,189)
<b>Balance as at January 31, 2021</b>		<b>93,902,230</b>	<b>30,819,074</b>	<b>973,822</b>	<b>701,666</b>	<b>51,183</b>	<b>(32,412,917)</b>	<b>132,828</b>

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

**PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three months ended January 31,**  
*(Unaudited) (Expressed in US Dollars)*

	2021	2020
	\$	\$
CASH PROVIDED BY (USED IN):		
Operating activities		
Net loss	(335,748)	(204,032)
Items not affecting cash:		
Amortization	74,982	8,513
Accrued interest	104,204	1,310
Unrealized foreign exchange loss	-	4,294
Gain on change in fair value of derivative liability	(33,748)	-
Cash used in operating activities before changes in working capital:	(190,310)	(189,915)
Sales tax recoverable and other receivables	22,301	2,015
Prepaid assets	82,154	(86,806)
Inventory	3,555	-
Account payable and accrued liabilities	131,507	250,574
Net cash provided by (used in) operating activities	49,207	(24,132)
Investing activity		
Redemption of short-term investment	-	63,514
Net cash provided by investing activity	-	63,514
FOREIGN TRANSLATION EFFECT ON CASH	14,686	-
NET INCREASE IN CASH	63,893	39,382
CASH, BEGINNING OF THE PERIOD	231,700	68,546
CASH, END OF THE PERIOD	295,593	107,928
<b>Non-cash transaction:</b>		
Issuance of shares for settlement of trade and other liabilities	\$	-
	-	\$
	-	-

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

**PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended January 31, 2021 and 2020**  
**(Unaudited) (Expressed in US Dollars)**

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**1. CORPORATE INFORMATION**

PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.) (the “Company” or “PeakBirch”) was incorporated on March 23, 2015 pursuant to the *Business Corporations Act* (British Columbia) as a company in the business of mineral exploration and evaluation. The shares of the Company are traded on the Canadian Securities Exchange (the “Exchange”) under the symbol “PKB”. The address of its registered and head office is located at Suite 400 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

On September 8, 2020, the Company completed an acquisition transaction whereby the Company acquired 100% of the issued and outstanding shares of Canndora Delivery Ltd. (“Canndora”), acquired 100% of the issued and outstanding shares of Greeny Collaboration Group (Canada) Inc. (“Greeny”) and acquired approximately 98.5% of the issued and outstanding shares of Lifted Innovations Inc. (“Lifted”). The acquisition of Lifted was a reverse takeover transaction (“RTO”) between Lifted and Kootenay in which the shareholders of Lifted acquired control over Kootenay. The acquisition of Canndora and Greeny were an asset acquisition as these entities did not constitute a business. The Company now carries on the business of Lifted (Note 12). Following the closing, the Company’s name changed to PeakBirch Logic Inc.

On October 19, 2020, the Company completed the acquisition of the remaining 1.5% of the shares of Lifted not taken up under the Company’s takeover bid of Lifted which closed on September 8, 2020.

**COVID-19 outbreak**

Since year ended October 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. This unprecedented pandemic may result in, among other things, supply chain issues, transportation delays, changes in customer demand for the Company’s products, increased government regulations or interventions, and ongoing economic uncertainty, all of which may negatively impact the business, financial condition or results of operations of the Company. The Company continues to monitor COVID-19 developments but since the duration and impact of the COVID-19 pandemic is unknown at this time, it is not possible to reliably estimate the length of the outbreak or the severity of its impact at this time.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION**

**Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Therefore, these condensed interim consolidated financial statements comply with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

These condensed interim consolidated financial statements were approved by the Board of Director on April 1, 2021.

**Basis of consolidation**

These condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company’s returns.

These condensed interim consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed in the following table:

<b>Name</b>	<b>Country of incorporation</b>	<b>% equity interest as at January 31, 2021</b>	<b>% equity interest as at October 31, 2020</b>
Lifted Innovations Inc. (“Lifted”)	USA	100%	100%
Lifted Technology Inc. (“Lifted Tech”)	USA	100%	100%
Canndora Delivery Ltd. (“Canndora”)	Canada	100%	100%
Greeny Collaboration Group (Canada) Inc. (“Greeny”)	Canada	100%	100%

All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated on consolidation.

**PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended January 31, 2021 and 2020**  
**(Unaudited) (Expressed in US Dollars)**

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**2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)**

**Presentation and functional currency**

The condensed interim consolidated financial statements are presented in US Dollars. The functional currency of Lifted, Lifted Tech and the Company is the US Dollar. The functional currency of Canndora and Greeny is the Canadian Dollar.

Foreign currency transactions are translated into US dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at FVTPL. Gains and losses arising from foreign exchange are included in the consolidated statements of operations.

**Translation to presentation currency**

The results and financial position of those entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the Statements of Financial Position;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are recognized in accumulated other comprehensive loss.

**Significant accounting judgments and estimates**

The preparation of these condensed interim consolidated financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

In particular information about significant areas of estimation uncertainty and judgment considered by management in preparing the condensed interim consolidated financial statements includes:

Areas of significant management judgment:

- *Useful lives of intangible assets*  
The determination of the useful lives of the Company's intangible assets is a matter of judgment. Future earnings would be affected if actual useful lives differ from those estimated by the Company.
- *Income taxes*  
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Because the Company is in a loss position, it has not recognized the value of any deferred tax assets in its statement of financial position.
- *Functional currency*  
The determination of functional currency is a matter of judgement. Some of the Company's transactions are denominated in foreign currencies. The majority of the Company's revenues and expenditures are in United States dollars.
- *Contingencies*  
Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of the occurrence of one or more future events.
- *Going concern risk assessment*  
The assessment of the Company's ability to continue as a going concern involves significant judgment based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.



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**2. BASIS OF PRESENTATION (continued)**

**Significant accounting judgments and estimates (continued)**

Sources of estimation uncertainty:

- *Share-based compensation*

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the Company's common shares, expected life of the share option, forfeiture rate, volatility and dividend yield and making assumptions about them.
- *Business combinations*

Judgement is required to determine if the Company's acquisitions represent a business combination or an asset purchase. More specifically, management concluded that all of 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. Since it was concluded that the acquisitions 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 were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired was calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.
- *Fair value measurements*

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Company will engage third party qualified valuers to perform the valuation.
- *Impairment of non-current assets*

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Impairment of intangible assets with indefinite lives are assessed for impairment on an annual basis. This assessment takes into account factors such as economic and market conditions as well as any changes in the expected use of the asset.

Management assesses property and equipment, as well as in use intangible assets with finite lives for any indicators of impairment annually. The assessment for indicators of impairment is dependent upon estimates of recoverable amounts that take in account factors such as economic and market conditions, as well as the useful lives of assets.

**Going concern**

These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

At January 31, 2021, the Company had cash of \$295,593 (October 31, 2020 - \$231,700), working capital deficit of \$935,648 (October 31, 2020 - \$775,501). The Company incurred a net loss of \$335,748 for the three months ended January 31, 2021 (2020 - \$204,032) and as of that date had an accumulated deficit of \$32,412,917 (October 31, 2020 - \$32,077,169).

The above factors indicate material uncertainties, which may cast significant doubt about the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

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**2. BASIS OF PRESENTATION (continued)**

**Going concern (continued)**

The ability of the Company to continue as a going concern is dependent on generating profitable operations, raising additional financing, and developing its products and services. The Company is not yet generating positive cash flows from operations. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. Failure to obtain additional financing or generate profitable operations, results in material uncertainties that cast significant doubt as to the Company's ability to continue to operate as a going concern.

These condensed interim consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

**Business combinations**

Acquisitions of a business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the sum of the acquisition date fair values of the assets transferred by the Company and liabilities incurred by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition related costs are recognized in profit and loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

**Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the Company has a present obligation, and the costs to settle this obligation are both probable and is able to be reliably measured.

**Trade and other liabilities**

Liabilities are recognized for amounts to be paid in the future for goods or services received during the reporting period, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the Company has a present obligation, and the costs to settle this obligation are both probable and is able to be reliably measured.

**Related party transactions**

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

**Revenue recognition**

The Company derives its revenues from the online sales of vaporizers and accessories through e-commerce platforms. As a result, the Company has one performance obligation, the delivery of vaporizers and accessories to end users. Revenue is recognized when goods are dispatched which is generally when control of the goods has transferred from the Company to the customer.

**PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended January 31, 2021 and 2020**  
**(Unaudited) (Expressed in US Dollars)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

Payment of the transaction price is due immediately at the time of the order being placed by the end customer. Customer orders are dispatched on the same day the order is made, which results in the Company not having open contracts at the period end. As a result the Company does not record any contract liabilities. Customers payments are normally made through payment gateways.

Customers do not have a right of return except for defective items. Such returns historically have been limited. As a result of the Company has not recorded any liability associated with warranty.

**Cost of sales**

Cost of sales includes all expenditures to purchase the products.

**Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

**Loss per share**

Basic loss per share is computed by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding for the period. Diluted loss per share is computed by dividing the net loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding for the year including all additional common shares that would have been outstanding if potentially dilutive equity instruments were converted to common shares. The diluted loss per share is equal to the basic loss per share because the effect of options is antidilutive.

**Income taxes**

Tax expense is recognized in the statement of loss, except to the extent it relates to items directly in equity, in which case the related tax is recognized in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

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

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Segmented reporting**

The Company operates in one business segment being the distribution of vaporizers and accessories for aromatherapy and other purposes.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments under IFRS 9:

<b>Financial assets/liabilities</b>	<b>IFRS 9 Classification</b>
Cash	FVTPL
Other receivables	Amortized cost
Account payable	Amortized cost
Promissory notes	Amortized cost
Derivative liability	FVTPL
Loans payable	Amortized cost

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the consolidated statements of loss and comprehensive loss in the period in which they arise.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

(iii) Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand readily convertible into a known amount of cash and can be redeemed at any time without penalties, and amounts held in trust.

**Intangibles**

Purchased intangible assets are recognized as assets in accordance with IAS 38, Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at fair value and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. Brand names have an indefinite useful life and are tested for impairment annually.

	Method	Years
Customer List	Straight-line	5
Website	Straight-line	5
Internet Domain Names	Straight-line	10

**Impairment testing of intangibles**

Intangible assets with indefinite life are tested for impairment annually. All other intangible assets are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any such indication exists, then the assets recoverable amount is estimated. The Company does not have any intangible assets with an indefinite life at January 31, 2021.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment testing of intangibles (continued)**

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized are allocated to reduce the carrying amounts of assets. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**Equipment**

Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation of equipment is calculated as follow:

Computer equipment	3 years straight line
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Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance cost in the statement of loss and comprehensive loss.

**Convertible debentures**

Convertible debentures with a variable conversion price are recorded at amortized cost and accounted for as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which will be accreted to face value over the life of the debenture. The derivative liability is remeasured at fair value at each period end subsequent to initial recognition.

The debt component of a convertible debentures issued with a fixed-for-fixed equity conversion feature is initially discounted at the market rate of interest without the conversion feature and the residual value is allocated to an equity reserve. Subsequently the debt component is kept at amortized cost.

**Leases**

In January 2016, the IASB issued IFRS 16 which replaces IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company does not have any leases that would be applicable to this standard and the implementation of these amendments did not have an impact on the consolidated financial statements.

**Definition of a business**

The Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The fair value of the assets acquired from Canndora and Greeny were concentrated to its websites. Both of these acquisitions were accounted as asset acquisitions (Note 12).

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**4. SHORT TERM INVESTMENTS**

Short-term investments as at October 31, 2019 consisted of cashable guaranteed investment certificates which matured on May 2020 and bore interest of 1.8% per annum. \$78,000 of the guaranteed investment certificate was pledged as collateral for use of corporate credit cards. During the year ended October 31, 2020, the Company redeemed the entire balance of the cashable guaranteed investment certificates. The Company has recorded interest income of \$1,393 for the year ended October 31, 2020 (2019 - \$16,362).

**5. SALE TAX RECOVERABLE AND OTHER RECEIVABLES**

As at January 31, 2021, included in sale tax recoverable and other receivables is sales taxes recoverable of \$17,577 (October 31, 2020 - \$52,645) and other receivables of \$12,841 (October 31, 2020 - \$74).

During the year ended October 31, 2020, the Company recognized a write-off of other receivables of \$10,206.

**6. EQUIPMENT**

	<b>Computer Equipment \$</b>
<b>Costs</b>	
As at October 31, 2019, 2020 and January 31, 2021	6,705
<b>Accumulated depreciation and impairment</b>	
As at October 31, 2019	1,676
Amortization	2,235
As at October 31, 2020	3,911
Amortization	559
As at January 31, 2021	4,470
<b>Net carrying value</b>	
As at October 31, 2020	2,794
As at January 31, 2021	2,235

**7. INTANGIBLE ASSETS**

	<b>Customer List \$</b>	<b>Internet Domain Names (Note 12) \$</b>	<b>Website \$</b>	<b>Total \$</b>
<b>Costs</b>				
As at October 31, 2019	178,992	137,068	-	316,060
Translation adjustment	-	-	(18,957)	(18,957)
Additions (note 12)	-	-	1,987,881	1,987,881
As at October 31, 2020	178,992	137,068	1,968,924	2,284,984
Translation adjustment	-	-	82,886	82,886
As at January 31, 2021	178,992	137,068	2,051,810	2,367,870

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**7. INTANGIBLE ASSETS (continued)**

	Customer List \$	Internet Domain Names (Note 12) \$	Website \$	Total \$
<b>Accumulated depreciation and impairment</b>				
As at October 31, 2019	58,172	-	-	58,172
Amortization	31,813	35,904	35,590	103,307
As at October 31, 2020	89,985	35,904	35,590	161,479
Amortization	7,954	3,427	63,042	74,423
As at January 31, 2021	97,939	39,331	98,632	235,902
<b>Net carrying value</b>				
As at October 31, 2020	89,007	101,164	1,933,334	2,123,505
As at January 31, 2021	81,053	97,737	1,953,178	2,131,968

On March 16, 2018, the Company purchased from, ESC Hughes Holding Ltd. ("ESC") a customer list and four internet domain names (EveryoneDoesit.com, NamasteVapes.com, DistributionGoods.com and LeafScience.com). These websites are used by the Company for the selling its products (Note 12).

On October 31, 2019, in accordance with IAS 36, the Company completed an impairment analysis and recognized \$9,845 in impairment of intangible assets on one its internet domain names and the amount was recognized in the consolidated statement of loss and comprehensive loss. Management determined that impairment was appropriate as the Company had no plans in the foreseeable future to operate the domain name and generate future economic benefits for the Company.

No impairment loss was recognized for the three months ended January 31, 2021 and year ended October 31, 2020.

**8. PROMISSORY NOTES**

Promissory notes of the Company comprises debentures with conversion features and non-conversion features issued by its wholly owned subsidiaries Greeny and Lifted as follow:

On November 25, 2019, Greeny issued a secured promissory note in a principal amount of C\$250,000. The promissory note accrues interest at a rate of 12% per annum. The promissory note is repayable on November 25, 2021, and interest are payable on a monthly basis. Pursuant to the promissory note, the Company shall pay to the lender C\$15,000 representing the prepayment of interest for the period commencing on the date of the promissory note and ending six months from the date of the promissory note and a C\$2,500 arrangement fee. The promissory note also has 454,545 common shares purchase warrants exercisable at C\$0.55 per Common Shares of the Company for a period of 3 years. On the maturity date, the Lender may, in its sole discretion, force the conversion of the principal amount and any outstanding indebtedness into common shares of the Company at a price equal to C\$0.55 per common shares.

On January 20, 2020, Greeny issued a second secured promissory note in a principal amount of C\$250,000. The promissory note accrues interest at a rate of 12% per annum. The promissory note is repayable on January 20, 2022, and interest are payable on a monthly basis. Pursuant to the promissory note, the Company shall pay to the lender C\$15,000 representing the prepayment of interest for the period commencing on the date of the promissory note and ending six months from the date of the promissory note and a C\$2,500 arrangement fee. The promissory note also has 454,545 common shares purchase warrants exercisable at C\$0.55 per Common Share of the Company for a period of 3 years. On the maturity date, the Lender may, in its sole discretion, force the conversion of the principal amount and any outstanding indebtedness into common shares of the Company at a price equal to C\$0.55 per common shares.

On June 4, 2020, Greeny, issued to a third-party lender a promissory note in a principal amount of C\$150,000. The promissory note bears interest of 12% per annum, payable monthly and matures on June 4, 2022. Pursuant to the promissory note, Greeny paid to the lender C\$9,000 representing the prepayment of interest for the period commencing on the date of the promissory note and ending



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**8. PROMISSORY NOTES (continued)**

six months from the date of the promissory note and a C\$2,500 arrangement fee. Furthermore, the Company issued 272,727 purchase warrants exercisable at C\$0.55 per share per Common Share of the Company for a period of three years from the date of the promissory note.

The fair value of the liability component of the convertible debentures issued by Greeny at the time of issue was determined based on an estimated discount rate of 15% per annum for promissory notes without the conversion feature. The fair value of the conversion feature, equity component, was determined as the difference between the face value and the fair value of the liability component.

On June 15, 2020, Lifted issued to a third-party vendor convertible promissory notes in an aggregate principal amount of C\$287,554 in lieu of fees payable for certain legal services provided to Lifted. The promissory notes are non-interest bearing and convertible any time prior to the maturity date of 18 months from the effective date. The promissory notes are convertible into Common Shares of the Company at a conversion price equal to the 5 trading day volume weighted average price of the Company's common shares. This convertible debenture was converted into common shares after the three months ended January 31, 2021 (Note 17).

On June 15, 2020, Lifted issued to a third-party vendor convertible promissory notes in an aggregate principal amount of C\$268,900 in lieu of fees payable for certain consulting services provided to Lifted. The promissory notes are non-interest bearing and convertible any time prior to the maturity date of 18 months from the effective date. The promissory notes are convertible into Common Shares of the Company at a price equal to the 20-trading day volume weighted average price of the Company's common shares.

On June 19, 2020, Lifted issued a convertible promissory note in the principal amount of C\$500,000 (Note 10). The promissory note is secured, non-interest bearing and convertible any time prior to the maturity date of 18 months from the effective date. The promissory note is convertible into Common Shares of the Company at a conversion price of 80% of the 20 trading day volume weighted average price of the Company's common shares. Subsequent to the three months ended January 31, 2021, the terms of the debt were amended (Note 17).

Since the conversion features of the convertible debentures issued by Lifted fail the equity classification because the conversion prices are variable, the conversion feature was accounted as derivative liability. The derivative liability was calculated first and the residual value is assigned to the debt host liability component.

Lifted issued an additional promissory note, without conversion option, for the amount of C\$90,000 during the year ended October 31, 2020. The promissory note is non-interest bearing and matures in 18 months from the effective date. The promissory note was discounted at inception using the market rate of 15% per annum and is carried at amortized cost. Subsequent to the year ended October 31, 2020, the terms of this promissory note were amended (Note 17).

The following is a summary of the movement of the promissory notes and derivative liability during the three months ended January 31, 2021 and year ended October 31, 2020:

	<b>Debenture without conversion feature \$</b>	<b>Convertible debentures \$</b>	<b>Total promissory notes \$</b>	<b>Derivative liability \$</b>
Balance, October 31, 2019	-	-	-	-
Additions	58,664	877,658	936,332	410,664
Interest paid	(3,715)	(41,605)	(45,320)	-
Interest accrued	2,229	86,054	88,283	-
Change in fair value	-	-	-	(72,406)
As at October 31, 2020	57,178	922,107	979,285	338,258
Interest paid	(11,737)	(15,258)	(26,995)	-
Interest accrued	2,101	101,600	103,701	-
Change in fair value	-	-	-	(33,748)
Translation adjustment	2,421	28,939	31,360	14,013
As at January 31, 2021	49,963	1,037,388	1,087,351	318,523
Less: current portion	(46,099)	-	(46,099)	-
Amounts classified as non - current portion	3,864	1,037,388	1,041,252	318,523

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**8. PROMISSORY NOTES (continued)**

The fair value of the derivative liability of \$318,523 was determined using the Black-Scholes Option Pricing Model as at January 31, 2021 with the following assumptions: expected life – 0.92 years; annualized volatility – 114%; risk-free interest rate – 0.14%; dividend rate – 0%; stock price C\$0.085; and exercise price – C\$0.093.

**9. LOANS PAYABLE**

During the year ended October 31, 2020, the Company received an aggregate C\$40,000 (equivalent to US\$30,014) from Canada Emergency Business Account (“CEBA”). The interest free loan is used to finance operating costs which was offered by the Government of Canada through the Company’s bank in response to the Covid19 pandemic. The Company also has a C\$40,000 non-bearing interest loan due on demand from a third party which assumed at the completion of the RTO (Note 12). As at January 31, 2021, the loan remains outstanding.

The following is a summary of the movement of the loans payable during the three months ended January 31, 2021 and year ended October 31, 2020:

	<b>Total \$</b>
Balance, October 31, 2019	-
CEBA loan	30,014
Loan assumed pursuant to the RTO (Note 12)	30,816
Total proceeds received	60,830
CEBA loan present value adjustment	(8,111)
Accretion of CEBA loan	917
Balance, October 31, 2020	53,636
Accretion of CEBA loan	503
Translation adjustment	1,635
Balance, January 31, 2021	55,774
Less: current portion	(31,299)
Non-current portion of loan payable	24,475

CEBA was discounted at the borrowing rate of 12% at inception and then carried at amortized cost. The CEBA loan present value adjustment was accounted for as a government grant received and recorded in Government Grant income.

**10. RELATED PARTY TRANSACTIONS**

During the three months ended January 31, 2021 and 2020, the Company incurred the expenses to related parties as follows:

- a) Consulting fees of \$85,000 (2020 - \$15,000) was incurred related to services provided by an officer and director of the Company and a company controlled by a director.
- b) Salaries of \$26,313 (2020 - \$Nil) was incurred related to services provided by an officer of the Company.

**Key Management Personnel:**

Key management includes the Company’s directors, senior officers and any employees with authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly.

*Compensation, Key Executives*

	<b>January 31, 2021 \$</b>	<b>January 31, 2020 \$</b>
Short-term compensation	111,313	15,000

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**10. RELATED PARTY TRANSACTIONS (continued)**

**Key Management Personnel (continued):**

As at January 31, 2021, included in accounts payable was \$11,046 (October 31, 2020 - \$10,600) owing to a company controlled by a director of Lifted. Amounts due to related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

During the year ended October 31, 2020, the Company issued a convertible promissory note to an officer of the Company for the amount received of C\$500,000 (Note 8).

**11. SHARE CAPITAL**

**Authorized Share Capital**

The Company has authorized for issuance an unlimited number of common shares. At January 31, 2021, the Company had 93,902,230 (October 31, 2020 - 93,902,230) common shares issued and outstanding, with no par value.

On September 8, 2020, in connection with the completion of the RTO, the Company consolidated its common shares on the basis of one (1) post-consolidation share for twenty-three (23) pre-consolidation shares to reduce the number of issued and outstanding common shares (Note 12).

**Issuance of Shares**

	<b>Number of Shares</b>	<b>\$</b>
<b>Balance as at October 31, 2019</b>	61,300,000	2,824,963
Shares issued for debt settlement	155,259	130,336
Shares issued for services	3,065,000	2,668,850
Eliminate Lifted Innovation's common share (Note 12)	(64,495,479)	-
PeakBirch Logic Inc. common shares (Note 12)	650,623	567,217
Shares issued for reverse takeover acquisition (Note 12)	64,495,479	-
Shares issued to acquire Canndora Delivery (Note 12)	18,260,870	15,919,946
Shares issued to acquire Greeny (Note 12)	9,166,131	7,991,093
Shares issued from private placement	1,304,347	716,669
<b>Balance as at October 31, 2020 and January 31, 2021</b>	<b>93,902,230</b>	<b>30,819,074</b>

No shares were issued during the three months ended January 31, 2021.

Year ended October 31, 2020

In connection with the RTO (Note 12), the Company completed on September 8, 2020 a unit financing consisting of 1,304,347 units at a price of C\$1.15 per unit for gross proceeds of C\$1,500,000 (equivalent to US\$1,137,139). Each unit consisted of one common share and one warrant to acquire one additional common share at a price of C\$1.40 per share for a period of three years from the closing. In addition, the Company issued 24,780 common shares with the fair value of C\$1.15 per share to settle outstanding debt of C\$28,499 (equivalent to \$21,605). The fair value allocated to the warrants issued was \$420,470.

On August 24, 2020, the Company issued 3,065,000 common shares with a fair value of C\$1.15 per share in connection with a strategic collaboration agreement between the Company and Namaste Technology Inc. as consideration for consulting services.

On June 18, 2020, the Company issued 130,749 shares at C\$1.15 per share to a third-party vendor and a company controlled by a director of the Company, in lieu of fee payables of \$108,731 (equivalent to C\$150,050).

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**11. SHARE CAPITAL (continued)**

**Securities held in Escrow**

Following the completion of the RTO, an officer of the Company entered into an escrow agreement whereby all the common shares issued to the officer pursuant to the promissory note with a principal amount of \$500,000 dated on June 19, 2020 (Note 8) and upon conversion will be deposited into escrow. This promissory note has not been converted into common shares.

During the three months ended January 31, 2021, 400,000 stock options in escrow were released pursuant to the escrow agreement. The 360,000 stock options remaining in escrow as at January 31, 2021 are scheduled to be released as follows:

	<b>Total \$</b>
March 8, 2021	60,000
September 8, 2021	60,000
March 8, 2022	60,000
September 8, 2022	60,000
March 8, 2023	60,000
September 8, 2023	60,000

**Stock Options**

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board. The aggregate number of common shares issuable pursuant to options granted under the plan is 9,390,223 common shares, being 10% of the Company's issued common shares under the plan. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

Options Outstanding

The following is a summary of the changes in the Company's stock option plan for the three months ended January 31, 2021 and year ended October 31, 2020:

	<b>Number of Options</b>	<b>Weighted average exercise price (CAD) \$</b>
<b>Outstanding, October 31, 2019</b>	3,750,000	0.21 (US\$0.16)
Reverse options of PeakBirch immediately before RTO*	(3,750,000)	0.21 (US\$0.16)
Replacement options*	3,750,000	0.21 (US\$0.16)
Replacement options**	660,244	1.05 (US\$0.80)
<b>Outstanding, October 31, 2020 and January 31, 2021</b>	<b>4,410,244</b>	<b>0.33 (US\$0.25)</b>

\*On September 8, 2020, the Company issued 3,750,000 replacement options pursuant to the reverse takeover acquisition of Lifted (Note 12). The stock options are exercisable for common shares of the Company at a weighted average exercisable price of C\$0.21 per share. The replacement options which were issued are not considered to be a modification to the original options upon completion of the RTO.

\*\*In addition, the Company issued 660,244 replacement options pursuant to the acquisition of Greeny (Note 12). The stock options are exercisable for common shares of the Company at an exercise price of C\$1.05 per share. The fair value of the new stock options was estimated to be \$401,902. The fair value was determined using the Black-Scholes Option Pricing Model at the amendment date with the following assumptions: expected life – 5 years; annualized volatility – 95.20%; risk-free interest rate – 0.32%; dividend rate – 0%.

On July 31, 2019, 3,030,000 options were issued at an exercise price of C\$0.20 (\$0.15).

During the year ended October 31, 2019, 2,680,000 options with a weighted average exercise price of C\$0.31 (\$0.23) and with a life of 5 years were forfeited.

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**11. SHARE CAPITAL (continued)**

**Stock Options (continued)**

All options granted during the year ended October 31, 2019 vest over 2 years with one-third vesting immediately.

No options were granted during the three months ended January 31, 2021 and year ended October 31, 2020.

*Options Exercisable*

The following are summaries of the exercisable stock options for the three months ended January 31, 2021 and year ended October 31, 2020:

<b>Expiry Date</b>	<b>Weighted Average Exercised Price (CAD)</b>	<b>Number of Options</b>	<b>Vested</b>	<b>Weighted Average Remaining Life (in years)</b>
April 9, 2023	\$0.20 (US\$0.15)	1,850,000	1,850,000	2.18
May 14, 2023	\$0.20 (US\$0.15)	100,000	100,000	2.28
May 21, 2023	\$0.50 (US\$0.38)	100,000	100,000	2.30
July 31, 2024	\$0.20 (US\$0.15)	1,700,000	1,700,000	3.49
September 16, 2024	\$1.05 (US\$0.80)	660,244	660,244	3.62
<b>Balance, January 31, 2021</b>	<b>\$0.33 (US\$0.25)</b>	<b>4,410,244</b>	<b>4,410,244</b>	<b>2.91</b>

<b>Expiry Date</b>	<b>Weighted Average Exercised Price (CAD)</b>	<b>Number of Options</b>	<b>Vested</b>	<b>Weighted Average Remaining Life (in years)</b>
April 9, 2023	\$0.20 (US\$0.15)	1,850,000	1,850,000	2.44
May 14, 2023	\$0.20 (US\$0.15)	100,000	100,000	2.54
May 21, 2023	\$0.50 (US\$0.38)	100,000	100,000	2.55
July 31, 2024	\$0.20 (US\$0.15)	1,700,000	1,700,000	3.75
September 16, 2024	\$1.05 (US\$0.80)	660,244	660,244	3.88
<b>Balance, October 31, 2020</b>	<b>\$0.33 (US\$0.25)</b>	<b>4,410,244</b>	<b>4,410,244</b>	<b>3.16</b>

*Black-Scholes assumptions for options*

The assumptions used for the calculation of the fair value of the options are as follows:

	<b>2020</b>	<b>2019</b>
Volatility	95.20%	100%
Risk-free interest rate	0.32%	1.46%
Expected life (years)	5 years	5 years
Dividend yield	Nil	Nil
Share price	C\$1.15 (US\$0.87)	C\$0.01 (US\$0.08)

Volatility is calculated by using the historical volatility of other public companies that the Company considers comparable that have trading and volatility history. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

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**11. SHARE CAPITAL (continued)**

**Share Purchase Warrants**

The following is a summary of the changes in the Company's share purchase warrants for the three months ended January 31, 2021 and year ended October 31, 2020:

	Number of Warrants	Weighted Average Exercise Price (CAD) \$
<b>Outstanding, October 31, 2019</b>	-	-
Replacement warrants*	568,723	1.15 (US\$0.87)
Issued	1,304,348	1.40 (US\$1.06)
Expired	(5,339)	1.05 (US\$0.80)
<b>Outstanding, October 31, 2020 and January 31, 2021</b>	<b>1,867,732</b>	<b>1.32 (US\$1.00)</b>

\*On September 8, 2020, the Company issued 568,723 replacement warrants pursuant to the acquisition of Greeny (Note 12). Each warrant is exercisable for common shares of the Company at a weighted average exercisable price of C\$1.15 per share. The fair value of the new stock options was estimated to be \$281,196. The fair value was determined using the Black-Scholes Option Pricing Model at the amendment date with the following assumptions: expected life – 1-3 years; annualized volatility – 84.75%-113.97%; risk-free interest rate – 0.24%; dividend rate – 0%; and stock price - C\$1.15.

In connection with the share issuance on September 8, 2020, the Company issued 1,304,348 share purchase warrants with a fair value of \$420,470 at an exercise price of C\$1.40 per share for a period of 3 years. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 3 years; annualized volatility – 101.92%; risk-free interest rate – 0.32%; dividend rate – 0%; and stock price - C\$1.15.

The following are summaries of the exercisable share purchase warrants for the three months ended January 31, 2021:

Expiry Date	Weighted Average Exercised Price (CAD)	Number of Warrants	Exercisable	Weighted Average Remaining Life (in years)
November 25, 2022	\$1.05 (US\$0.80)	216,686	216,686	1.81
January 20, 2023	\$1.15 (US\$0.87)	216,686	216,686	1.96
June 4, 2023	\$1.15 (US\$0.87)	130,012	130,012	2.33
September 4, 2023	\$1.40 (US\$1.06)	1,304,348	1,304,348	2.58
	<b>\$1.32 (US\$1.00)</b>	<b>1,867,732</b>	<b>1,867,732</b>	<b>2.41</b>

**Contributed Surplus**

Contributed surplus records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. When the share-based payment arrangement has been cancelled or the terms have expired the fair value assigned to the share-based payment arrangement is transferred to reserve.

**Warrant Reserve**

Warrant reserve records the fair values assigned to the Share Purchase Warrants issued by the Company.

**Foreign Exchange Translation Reserve**

Foreign exchange translation reserve records effect for the translation of the results and financial position of the Company's subsidiaries with functional currencies different from the presentation currency (US. Dollars).

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**12. REVERSE TAKEOVER ACQUISITION**

On September 8, 2020, the Company completed an arrangement with Canndora, Greeny and Lifted whereby the Company acquired 100% of the issued and outstanding shares of Canndora in exchange for an aggregate of 18,260,870 common shares, acquired 100% of the issued and outstanding shares of Greeny in exchange for an aggregate of 9,166,131 common shares, 563,384 share purchase warrants exercisable at C\$1.15 per share, 5,339 share purchase warrants exercisable at C\$1.05 and 660,244 stock options exercisable at C\$1.05 per share, and acquired approximately 98.5% of the issued and outstanding shares of Lifted in exchange for an aggregate of 63,545,479 common shares and 3,750,000 stock options of which 3,650,000 stock options are exercisable at C\$0.20 per share and 100,000 stock options are exercisable at C\$0.50 per share.

The Company continued the businesses of Lifted and further development of the technology of Greeny and Canndora as a company that specializes in e-commerce sales and delivery of cannabis-related products and CBD-(cannabidiol)-containing products.

Concurrently with the closing, the Company completed a unit financing consisting of 1,304,348 units at a price of C\$1.15 per unit for gross proceeds of \$1,500,000. Each unit consisted of one common share and one warrant to acquire one additional common share at a price of C\$1.40 per share for a period of three years from the closing (Note 11).

In addition, the Company completed a 1-for-23 share consolidation to reduce the number of issued and outstanding common shares of the Company.

On October 19, 2020, the Company completed the acquisition of 950,000 common shares of Lifted representing 1.5% of the outstanding Lifted shares. The acquisition was completed on substantively the same terms as the Lifted takeover.

Management determined that, for accounting purposes, Lifted became the acquirer as a result of completing the RTO on the basis that the shareholders of Lifted obtained the largest number of common shares (holding 69.17%, excluding the financing completed by the Company concurrently with the closing of the RTO, the debt settlement in shares completed by the Company, Greeny and Lifted and the shares issued for services, prior to the closing of the RTO) of the Company, taking into consideration the outstanding options, warrants and convertible debts.

The Company does not meet the definition of a business, therefore the transaction is outside of the scope of IFRS 3 Business Combinations. Instead, the RTO will be accounted for under IFRS 2 Share-based Payment. Under this basis of accounting, the consolidated entity is considered to be a continuation of Lifted. The acquisitions of Canndora and Greeny were considered to be asset acquisitions accounted in accordance with IFRS 2. The results of operations from the Company, Canndora, and Greeny are included in the consolidated financial statements since the date of acquisition.

The following table summarizes the consideration paid and the fair value of the identifiable assets acquired, and liabilities assumed as of the date of acquisition:

***Acquisition of the Company (formerly Kootenay Zinc Corp)***

	\$
Fair value of consideration (650,623 shares at \$0.87 per share) (Note 11)*	567,217
Allocated as follows:	
Identified fair value of net assets:	
Cash	32,234
Prepaid expense	150
Receivables	31,539
Accounts payable and accrued liabilities	(536,256)
Due to Canndora	(75,809)
Loan payable (Note 9)	(30,324)
Indemnification provision	(128,224)
Net assets assumed	(706,690)
<b>Listing expense</b>	<b>1,273,907</b>

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**12. REVERSE TAKEOVER ACQUISITION (continued)**

**Acquisition of Canndora**

	\$
Fair value of consideration (18,260,870 shares at \$0.87 per share) (Note 11)*	15,919,946
Allocated as follows:	
Identified fair value of net assets:	
Cash	990
Receivables	4,714
Due from Kootenay	75,809
Intangible asset (Note 7)	758,093
Accounts payable and accrued liabilities	(260,322)
Net assets assumed	579,284
<b>Stock-based compensation</b>	<b>15,340,662</b>

**Acquisition of Greeny**

	\$
Fair value of consideration (9,166,131 shares at \$0.87 per share) (Note 11)*	7,991,093
Fair value of outstanding options (Note 11)	401,902
Fair value of outstanding warrants (Note 11)	281,196
Total costs of acquisition	8,674,191
Allocated as follows:	
Identified fair value of net assets:	
Cash	10,367
Prepaid expenses	3,260
Intangible assets (Note 7)	1,229,788
Accounts payable and accrued liabilities	(42,367)
Convertible promissory notes (Note 8)	(469,086)
Net assets assumed	731,962
<b>Stock-based compensation</b>	<b>7,942,229</b>

\* The fair value of the shares issued as consideration for the Acquisitions were estimated to be \$0.87 (C\$1.15) per share using the price of the concurrent private placement.

**13. FINANCIAL INSTRUMENTS**

**Fair Value of Financial Instruments**

Financial instruments that are measured at fair value use inputs which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level Two includes inputs that are observable other than quoted prices included in Level One; and
- Level Three includes inputs that are not based on observable market data.

As at January 31, 2021 and October 31, 2020, both the carrying and fair value amounts of other receivable, accounts payable, promissory notes payable and loans payable are approximately equivalent due to their short-term nature. Cash are carried at fair value determined under the fair value hierarchy as Level One. The fair value of derivative liability was determined based on Level Three inputs. The fair value of the promissory note approximate to their carrying values amount (Note 8).

**Risk Management**

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and other receivables (excluding sales tax receivable). Management believes credit risk with respect to its financial instruments is minimal. Credit risk on cash are mitigated as it is held in a Tier 1 financial institution.



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**13. FINANCIAL INSTRUMENTS (continued)**

**Risk Management (continued)**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities. All amounts in current liabilities as at January 31, 2021 and October 31, 2020 are due within 12 months. Liquidity risk is assessed as high.

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 and specifically to foreign currency risk.

Foreign currency risk

The Company holds cash denominated in Canadian Dollars. The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of settlement of their trade and other liability balances. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Below is a list of all financial instruments in their base currency at face value:

	January 31, 2021	October 31, 2020
	\$	\$
Cash – CAD	157,277	199,370
Trade and other receivables - CAD	22,464	70,113
Account payable and accrued liabilities - CAD	(972,608)	(889,632)
Promissory notes - CAD	(1,796,455)	(1,796,455)
Loans payable - CAD	(80,000)	(80,650)

**14. CAPITAL MANAGEMENT**

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as shareholders' equity. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

**15. SEGMENTED DISCLOSURE**

The Company operates in one business segment being the distribution of vaporizers and accessories for aromatherapy and other purposes.

Revenues and totals assets at January 31, 2021 and October 31, 2020 are as follow:

	United States	Canada	Total
	\$	\$	\$
<b>For the period ended January 31, 2021</b>			
Net revenue	1,361,492	10,015	1,371,507
<b>As at January 31, 2021</b>			
Total assets	1,369,807	1,231,462	2,601,269
<b>For the year ended October 31, 2020</b>			
Net revenue	1,482,194	16,342	1,498,536
<b>As at October 31, 2020</b>			
Total assets	1,492,942	1,144,540	2,637,482

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**16. CONTINGENCY**

The Company was one of the respondents to the British Columbia Securities Commission (“BCSC”) Temporary Order dated November 26, 2018 issued against a group of people and entities. In essence, the Plaintiffs allege that the Company’s conduct gives rise to statutory and common law claims of misrepresentation. The Plaintiffs have also alleged that the Company was involved in a conspiracy. As part of the class proceedings, a number of Petitioners including one shareholder of the Company commenced a Petition to obtain leave of the Court to commence a secondary market misrepresentation claim against Company. In essence, the Petitioners sought the court’s permission to commence a claim they had already filed.

The claim is still in early stages, and has not been certified. Based on the limited information available at this preliminary stage of the proceedings, the Plaintiffs have asserted that the quantum of the alleged claims is in the range of \$2,700,000.

A Notice of Hearing was issued against the Company in November 2019. As part of that proceeding, the class action lawyers applied for release of Affidavits sworn by staff of the BCSC. The Commission ordered the Affidavits to be released. That decision was appealed to the BC Court of Appeal. The BC Court of Appeal dismissed the appeal in late 2020. The Company is sought leave of the Supreme Court of Canada to appeal the decision to the Supreme Court of Canada. On March 4, 2021, the Supreme Court of Canada declined to grant leave and the Affidavits have now been released.

The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

**17. SUBSEQUENT EVENTS**

On February 4, 2021, the Company amended the convertible promissory note issued to an officer of the Company in the amount of C\$500,000 (Notes 8 and 10). The amended convertible promissory note includes an interest rate of 12% per annum interest rate on the balance of the principal sum outstanding from the effective date of the convertible promissory note.

The C\$90,000 promissory note issued by Lifted during the year ended October 31, 2020 (Note 8) was converted on February 4, 2021 into a convertible debenture with same conditions as the convertible debenture issued by Lifted on June 15, 2020 in the amount of C\$287,554 (Note 8). Subsequently the full amount of C\$377,554 was converted into 4,290,399 common shares at C\$0.088.