

Condensed Interim Consolidated Financial Statements

PeakBirch Logic Inc.
(formerly Kootenay Zinc Corp.)

For the three and nine months ended July 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	July 31, 2021 (unaudited)	October 31, 2020 (audited)
Assets			
Current assets			
Cash		\$ 421,741	\$ 231,700
Investment	13	27,796	-
Sales tax recoverable and other receivables	5,13	555,782	52,719
Prepaid assets		42,047	219,454
Inventory		167,638	7,310
Total current assets		1,215,004	511,183
Non-current assets			
Equipment	6	177,162	2,794
Intangible assets	7	2,033,329	2,123,505
Total assets		\$ 3,425,495	\$ 2,637,482
Liabilities			
Current liabilities			
Accounts payable	10	\$ 845,287	\$ 614,484
Accrued liability		183,991	260,802
Promissory notes	8	1,022,861	42,618
Loans payable	9	101,588	30,522
Derivative liability	8	240,260	338,258
Total current liabilities		2,393,987	1,286,684
Non-current liabilities			
Loans payable	9	165,902	23,114
Promissory notes	8	-	936,667
Total liabilities		2,559,889	2,246,465
Shareholders' equity			
Share capital	11	31,500,927	30,819,074
Contributed surplus	11	1,210,061	973,822
Warrant reserve	11	826,398	701,666
Obligation to issue shares	13,18	344,589	-
Foreign exchange translation reserve	11	127,180	(26,376)
Deficit		(33,143,549)	(32,077,169)
Total shareholders' equity		865,606	391,017
Total liabilities and shareholders' equity		\$ 3,425,495	\$ 2,637,482

Nature of operations and going concern (Note 2)
Subsequent event (Note 18)

Approved and authorized by the Board on September 29, 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 and nine months ended July 31, 2021 and 2020
(Unaudited) (Expressed in US Dollars)

	Note	Three months ended July 31, 2021	Three months ended July 31, 2020	Nine months ended July 31, 2021	Nine months ended July 31, 2020
Revenue	16	\$ 602,138	\$ 331,381	\$ 2,845,503	\$ 1,186,286
Cost of sales		464,632	235,788	2,241,362	916,972
		137,506	95,593	604,141	269,314
Expenses					
Selling		90,095	54,372	368,200	234,717
Accounting and audit fees (recovery)		22,007	42,692	89,658	48,111
Amortization	6,7	76,424	8,512	227,096	25,537
Consulting	10	88,307	68,796	295,044	250,098
General and administrative		11,150	4,398	27,938	14,062
Insurance expense		51,159	33,579	133,768	104,519
Legal fees		70,539	8,185	100,332	10,468
Salaries	10	48,983	22,980	104,131	69,525
Share-based compensation		33,605	-	250,635	38,035
Transfer agent		3,061	-	9,947	-
		495,330	243,514	1,606,749	795,072
Other items					
Other income		1,406	1,001	1,465	2,958
Government grant		9,531	-	9,531	-
Gain on change in fair value of derivative liability	8	35,739	14,468	38,901	14,468
Foreign exchange gain (loss)		24,127	(3,541)	(170,602)	(2,937)
Interest and accretion expense	8,9	(91,214)	(30,592)	(310,770)	(30,607)
Indemnification provision for flow-through shares		129	-	11,342	-
Gain on acquisition of subsidiary	13	356,361	-	356,361	-
Net loss		\$ (21,745)	\$ (166,585)	\$ (1,066,380)	\$ (541,876)
Translation adjustment		(13,466)	-	153,556	-
Comprehensive loss		(35,216)	(166,585)	(912,824)	(541,876)
Net loss per share					
Basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of					
Basic and diluted		108,725,265	61,300,000	100,575,949	61,300,000

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

	Notes	Number of Common Shares	Share Capital	Contributed Surplus	Warrant Reserve	Obligation to Issue Shares	Foreign exchange translation reserve	Deficit	Total
			\$	\$	\$	\$	\$	\$	\$
Balance as at November 1, 2019		61,300,000	2,824,963	419,493	-	-	-	(3,539,580)	(295,124)
Issuance of shares for debt settlement	11	130,749	108,732	-	-	-	-	-	108,732
Share-based compensation	11	-	-	38,035	-	-	-	-	38,035
Net loss and comprehensive loss		-	-	-	-	-	-	(541,876)	(541,876)
Balance as at July 31, 2020		61,430,749	2,933,695	457,528	-	-	-	(4,081,456)	(690,233)
Balance as at October 31, 2020		93,902,230	30,819,074	973,822	701,666	-	(26,376)	(32,077,169)	391,017
Shares issued from conversion of convertible notes	8, 11	4,290,399	294,321	-	-	-	-	-	294,321
Shares issued from private placement	11	10,391,332	373,136	-	124,732	-	-	-	497,868
Shares issued for RSUs	11	250,000	14,396	(14,396)	-	-	-	-	-
Shares to be issued for acquisition of subsidiary	13,18	-	-	-	-	344,589	-	-	344,589
Share-based compensation	11	-	-	250,635	-	-	-	-	250,635
Net loss and comprehensive loss		-	-	-	-	-	153,556	(1,066,380)	(912,824)
Balance as at July 31, 2021		108,833,961	31,500,927	1,210,061	826,398	344,589	127,180	(33,143,549)	865,606

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 nine months ended July 31, 2021 and 2020
(Unaudited) (Expressed in US Dollars)

	2021	2020
	\$	\$
CASH PROVIDED BY (USED IN):		
Operating activities		
Net loss	(1,066,380)	(541,876)
Items not affecting cash:		
Amortization	227,096	25,537
Accrued interest and accretion	294,977	26,932
Share-based compensation	250,635	38,035
Gain on acquisition of subsidiary	(356,361)	-
Unrealized foreign exchange loss	-	7,866
Gain on change in fair value of derivative liability	(38,901)	(14,468)
Cash used in operating activities before changes in working capital:	(688,934)	(457,974)
Sales tax recoverable and other receivables	(18,614)	21,292
Prepaid assets	177,407	(30,811)
Inventory	(4,460)	(6,786)
Accounts payable and accrued liabilities	(62,099)	213,625
Net cash used in operating activities	(596,700)	(260,654)
Financing activities		
Proceeds from private placement	497,868	-
Proceeds from loans, net of repayment	72,865	29,825
Issuance of promissory note	-	372,815
Net cash provided by financing activities	570,733	402,640
Investing activity		
Cash received from acquisition of subsidiary	208,417	-
Redemption of short-term investment	-	231,841
Net cash provided by investing activity	208,417	231,841
FOREIGN TRANSLATION EFFECT ON CASH	7,591	-
NET INCREASE IN CASH	190,041	373,827
CASH, BEGINNING OF THE PERIOD	231,700	68,546
CASH, END OF THE PERIOD	421,741	442,373
Non-cash transactions:		
Issuance of shares for settlement of promissory note	294,321	-
Issuance of shares for conversion of RSU	14,396	-
Issuance of shares for settlement of trade and other liabilities	-	108,732
Issuance of promissory notes for settlement of trade and other liabilities	-	473,142

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

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.

On July 26, 2021, the Company acquired Stul Ltd. (“Stul”), a company located in London, United Kingdom. The Company acquired 100% of the issued and outstanding shares of Stul, including all of the existing assets of Stul (Note 13).

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 September 29, 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:

Name	Country of incorporation	% equity interest as at July 31, 2021	% equity interest as at October 31, 2020
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%
Stul Ltd. (“Stul”)	UK	100%	-

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

Basis of consolidation (continued)

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

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. The functional currency of Stul is the British Pound Sterling.

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.

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

Significant accounting judgments and estimates (continued)

Areas of significant management judgment: (continued)

- *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.

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 July 31, 2021, the Company had cash of \$421,741 (October 31, 2020 - \$231,700), working capital deficit of \$1,178,983 (October 31, 2020 - \$775,501). The Company incurred a net loss of \$1,066,380 for the nine months ended July 31, 2021 (2020 - \$541,876) and as of that date had an accumulated deficit of \$33,143,549 (October 31, 2020 - \$32,077,169).

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

Going concern (continued)

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Customer's 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:

Financial assets/liabilities	IFRS 9 Classification
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 July 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
--------------------	-----------------------

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 July 31, 2021, included in sale tax recoverable and other receivables is sales taxes recoverable of \$62,333 (October 31, 2020 - \$52,645) and other receivables of \$493,449 (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

	Computer Equipment \$
Costs	
As at October 31, 2019, 2020	6,705
Additions (Note 13)	176,045
As at July 31, 2021	182,750
Accumulated depreciation and impairment	
As at October 31, 2019	1,676
Amortization	2,235
As at October 31, 2020	3,911
Amortization	1,677
As at July 31, 2021	5,588
Net carrying value	
As at October 31, 2020	2,794
As at July 31, 2021	177,162

7. INTANGIBLE ASSETS

	Customer List \$	Internet Domain Names (Note 12) \$	Website \$	Total \$
Costs				
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	-	-	135,243	135,243
As at July 31, 2021	178,992	137,068	2,104,167	2,420,227

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7. INTANGIBLE ASSETS (continued)

	Customer List \$	Internet Domain Names (Note 12) \$	Website \$	Total \$
Accumulated depreciation and impairment				
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	23,859	10,280	191,280	225,419
As at July 31, 2021	113,844	46,184	226,870	386,898
Net carrying value				
As at October 31, 2020	89,007	101,164	1,933,334	2,123,505
As at July 31, 2021	65,148	90,884	1,877,297	2,033,329

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 nine months ended July 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\$70,119. 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 during the nine months ended July 31, 2021 (Note 11).

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. On February 4, 2021, the terms of the debt were amended. 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. During the nine months ended July 31, 2021, the owner of the promissory note has agreed to purchase 7,142,857 common shares at a price of \$0.07 per common share by directing the repayment of the promissory note at the full current market price. As of July 31, 2021, the common shares have not been issued.

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. On February 4, 2021, the terms of the debt were amended. This promissory note was converted into common shares during the nine months ended July 31, 2021 (Note 11).

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

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8. PROMISSORY NOTES (continued)

	Debtenture without conversion feature \$	Convertible debentures \$	Total promissory notes \$	Derivative liability \$
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)	(13,383)	(25,120)	-
Interest accrued	2,101	291,312	293,413	-
Repayment	(49,963)	(146,227)	(196,190)	(79,516)
Change in fair value	-	-	-	(38,901)
Translation adjustment	2,421	(30,949)	(28,528)	20,419
As at July 31, 2021	-	1,022,860	1,022,860	240,260
Less: current portion	-	(1,022,860)	(1,022,860)	(240,260)
Amounts classified as non - current portion	-	-	-	-

The fair value of the derivative liability of \$240,260 was determined using the Black-Scholes Option Pricing Model as at July 31, 2021 with the following assumptions: expected life – 0.38 years; annualized volatility – 114%; risk-free interest rate – 0.38%; dividend rate – 0%; stock price C\$0.04; and exercise price – C\$0.040.

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 July 31, 2021, the loan remains outstanding.

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

	Total \$
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
Additions (Note 13)	211,380
Repayment	(2,135)
Accretion of CEBA loan	1,563
Translation adjustment	3,046
Balance, July 31, 2021	267,490
Less: current portion	(101,588)
Non-current portion of loan payable	165,902

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.

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10. RELATED PARTY TRANSACTIONS

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

- a) Consulting fees of \$244,449 (2020 - \$55,500) was incurred related to services provided by an officers and directors of the Company and a company controlled by a director.
- b) Salaries of \$82,003 (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

	July 31, 2021 \$	July 31, 2020 \$
Short-term compensation	326,452	55,500
Share-based compensation	174,898	20,222

As at July 31, 2021, included in accounts payable was \$11,328 (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 July 31, 2021, the Company had 108,833,961 (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

	Number of Shares	\$
Balance as at October 31, 2019	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
Balance as at October 31, 2020	93,902,230	30,819,074
Shares issued from conversion of convertible note (Note 8)	4,290,399	294,321
Shares issued from private placement	10,391,332	373,136
Shares issued for RSUs	250,000	14,396
Balance as at July 31, 2021	108,833,961	31,500,927

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11. SHARE CAPITAL (continued)

Issuance of Shares (continued)

Nine months ended July 31, 2021

On February 4, 2021, the Company issued 4,290,399 common shares at C\$0.088 for the conversion of promissory notes of C\$377,555.

On April 21, 2021, the Company completed the first tranche of a non-brokered private placement of 10,391,332 units at a price of C\$0.06 per unit for aggregate gross proceeds of C\$623,480. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at C\$0.07 per common share for two years from the closing of the offering. No finders' fees were paid pursuant to the offering.

On June 9, 2021, the Company issued 250,000 common shares for the exercise of the 200,000 RSU.

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).

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. As of July 31, 2021, this promissory have not been converted into common shares.

During the nine months ended July 31, 2021, 460,000 stock options in escrow were released pursuant to the escrow agreement. The 300,000 stock options remaining in escrow as at July 31, 2021 are scheduled to be released as follows:

	Total \$
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 rolling RSU plan and stock option plan for directors, employees, and consultants. The plans are managed by the Board. The aggregate number of common shares issuable pursuant to RSUs and options granted under the plan is 21,766,792 common shares, being 20% of the Company's issued common shares under the plans. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

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11. SHARE CAPITAL (continued)

Stock Options (continued)

Options Outstanding

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

	Number of Options	Weighted average exercise price (CAD) \$
Outstanding, October 31, 2019	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)
Outstanding, October 31, 2020	4,410,244	0.33 (US\$0.25)
Granted	3,292,852	0.08 (US\$0.06)
Outstanding, July 31, 2021	7,703,096	0.22 (US\$0.18)

*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 April 30, 2021, the Company issued 3,042,853 stock options to certain directors, officers and consultants of the Company. Each option vest immediately, and exercisable at an exercise price of C\$0.078 per common share of the Company until April 30, 2025. The fair value of the stock options was estimated to be \$109,783. The fair value was determined using the Black-Scholes Option Pricing Model at the amendment date with the following assumptions: expected life – 4 years; annualized volatility – 97.19%; risk-free interest rate – 0.74%; dividend rate – 0%.

On May 5, 2021, the Company granted 250,000 stock options to a director of the Company in accordance with the Company's incentive compensation plans. Each of the options vest immediately, and will be exercisable at an exercise price of C\$0.078 per common share of the Company until May 5, 2025. The fair value of the stock options was estimated to be \$8,515. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 4 years; annualized volatility – 97.18%; risk-free interest rate – 0.73%; dividend rate – 0%.

No options were granted during the year ended October 31, 2020.

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11. SHARE CAPITAL (continued)

Stock Options (continued)

Options Exercisable

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

Expiry Date	Weighted Average Exercised Price (CAD)	Number of Options	Vested	Weighted Average Remaining Life (in years)
April 9, 2023	\$0.20 (US\$0.15)	1,850,000	1,850,000	1.69
May 14, 2023	\$0.20 (US\$0.15)	100,000	100,000	1.79
May 21, 2023	\$0.50 (US\$0.38)	100,000	100,000	1.81
July 31, 2024	\$0.20 (US\$0.15)	1,700,000	1,700,000	3.00
September 16, 2024	\$1.05 (US\$0.80)	660,244	660,244	3.13
April 30, 2025	\$0.08 (US\$0.06)	3,042,852	3,042,852	3.75
May 5, 2025	\$0.08 (US\$0.06)	250,000	250,000	3.76
Balance, July 31, 2021	\$0.22 (US\$0.18)	7,703,096	7,703,096	2.99

Expiry Date	Weighted Average Exercised Price (CAD)	Number of Options	Vested	Weighted Average Remaining Life (in years)
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
Balance, October 31, 2020	\$0.33 (US\$0.25)	4,410,244	4,410,244	3.16

Black-Scholes assumptions for options

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

	2021	2020	2019
Volatility	97.19%	95.20%	100%
Risk-free interest rate	0.74%	0.32%	1.46%
Expected life (years)	4 years	5 years	5 years
Dividend yield	Nil	Nil	Nil
Share price	C\$0.07 (US\$0.06)	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.

Restricted Share Units

On April 30, 2021, the Company granted an aggregate of 1,949,282 restricted share units (RSUs) to certain directors, officers and consultants of the company in accordance with the company's incentive compensation plans. Each of the RSUs vest immediately. The fair value of the new RSUs was estimated to be \$107,247.

On May 7, 2021, the Company granted 435,714 restricted share units (RSUs) to a director and a consultant of the Company in accordance with the Company's incentive compensation plans. Each of the RSUs vest immediately. The fair value of the new RSUs was estimated to be \$25,090.

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11. SHARE CAPITAL (continued)

Restricted Share Units (continued)

A summary of the Company's outstanding RSU's as at July 31, 2021 are as follows:

	Number of RSU's
Outstanding, October 31, 2020	-
Granted	2,384,996
Exercised	(250,000)
Outstanding, July 31, 2021	2,134,996

During the nine months ended July 31, 2021, the Company recognized a total of \$132,337 in share-based compensation.

Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price (CAD) \$
Outstanding, October 31, 2019	-	-
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)
Outstanding, October 31, 2020	1,867,732	1.32 (US\$1.00)
Issued	5,195,666	0.07 (US\$0.06)
Outstanding, July 31, 2021	7,063,398	0.40 (US\$0.31)

*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.

In connection with the share issuance on April 21, 2021, the Company issued 5,195,666 share purchase warrants with a fair value of \$124,732 at an exercise price of C\$0.07 per share for a period of 2 years. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 2 years; annualized volatility – 137.07%; risk-free interest rate – 0.30%; dividend rate – 0%; and stock price - C\$0.07.

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11. SHARE CAPITAL (continued)

Share Purchase Warrants (continued)

The following are summaries of the exercisable share purchase warrants for the nine months ended July 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	1.32
January 20, 2023	\$1.15 (US\$0.87)	216,686	216,686	1.47
June 4, 2023	\$1.15 (US\$0.87)	130,012	130,012	1.84
September 4, 2023	\$1.40 (US\$1.06)	1,304,348	1,304,348	2.10
April 21, 2023	\$0.07 (US\$0.06)	5,195,666	5,195,666	1.72
	\$0.40 (US\$0.31)	7,063,398	7,063,398	1.77

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).

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.

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12. REVERSE TAKEOVER ACQUISITION (continued)

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)
Listing expense	1,273,907

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
Stock-based compensation	15,340,662

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
Stock-based compensation	7,942,229

* 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.

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13. ACQUISITION OF STUL LTD.

On July 26, 2021, the Company closed the acquisition of Stul Ltd. ("Stul"), a company located in London, United Kingdom. The Company acquired all of the issued and outstanding shares of Stul, including all of the existing assets of Stul, for a purchase price of 250,000 pounds sterling (\$432,425 (Canadian)) payable by the issuance of 10,810,625 common shares of the Company at a price of \$0.04 per common share.

Subsequent to the nine months ended July 31, 2021, the Company issued 8,648,023 common shares to the sole shareholder of Stul (note 18) and the remaining 2,162,600 common shares will be issued upon the Company confirming that Stul's working capital is at least 350,000 pounds sterling. In the event Stul's working capital is less than the working capital target, the purchase price (and, accordingly, the number of common shares issuable under the acquisition) shall be reduced on a dollar-for-dollar basis. Assuming that all of the compensation securities are issued, the former shareholder of Stul will hold 10,810,625 common shares, representing 9.91% of the common shares and will not beneficially hold any other securities of the Company.

As part of the acquisition, the Company acquired Hot Box Herb, a leading brick-and-mortar cannabis accessory shop (a headshop) and e-commerce website. Based in Chelmsford, Essex, the headshop has become Southern England's most reputable cannabis accessory shop within only 3.5 years of being open and offers the largest selection of quality cannabis accessories and products in the region with over 1,800 active SKUs. Hot Box Herb owns and manufactures its own organic branded CBD, named New Era Wellness, consisting of a product line of topicals, edibles and flower.

For accounting purposes, the acquisition of Stul was considered a business combination and accounted for using the acquisition method. The results of operations from Stul are included in the consolidated financial statements from 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:

	\$
Fair value of consideration (10,810,625 shares at \$0.0319 (C\$0.04) per share) (Note 18)	344,589
Allocated as follows:	
Identified fair value of net assets:	
Cash	208,417
Receivables (Note 5)	484,448
Inventory	155,868
Investment	27,631
Equipment (note 6)	176,248
Accounts payable and accrued liabilities	(216,092)
Loans payable (Note 9)	(135,570)
Net assets assumed	700,950
Gain on acquisition of subsidiary	356,361

14. 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 July 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).

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14. FINANCIAL INSTRUMENTS (continued)

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.

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 July 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:

	July 31, 2021	October 31, 2020
	\$	\$
Cash – CAD	136,782	199,370
Trade and other receivables - CAD	66,973	70,113
Account payable and accrued liabilities - CAD	(692,451)	(889,632)
Promissory notes - CAD	(1,339,019)	(1,796,455)
Loans payable - CAD	(80,000)	(80,650)

15. 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.

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16. 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 July 31, 2021 and October 31, 2020 are as follow:

	United States \$	Canada \$	United Kingdom \$	Total \$
For the period ended July 31, 2021				
Net revenue	2,780,567	52,883	12,053	2,845,503
As at July 31, 2021				
Total assets	1,187,452	1,167,682	1,070,360	3,425,495
For the year ended October 31, 2020				
Net revenue	1,482,194	16,342		1,498,536
As at October 31, 2020				
Total assets	1,492,942	1,144,540		2,637,482

17. 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.

18. SUBSEQUENT EVENT

Subsequent to the nine months ended July 31, 2021, the Company issued 8,648,023 shares pursuant to the acquisition of Stul Ltd. (Note 13)