

TRANSCANNA HOLDINGS INC.

Consolidated Financial Statements

For the years ended November 30, 2019 and November 30, 2018

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TransCanna Holdings Inc.

Opinion

We have audited the consolidated financial statements of TransCanna Holdings Inc. (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Steven Reichert.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 15, 2020



An independent firm
associated with Moore
Global Network Limited

TRANSCANNA HOLDINGS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts expressed in Canadian dollars)

	<i>Note</i>	November 30, 2019	November 30, 2018
ASSETS			
CURRENT			
Cash		\$ 3,119,533	\$ 74,310
Accounts receivable	8	375,093	1,799
Prepaid expenses		270,800	10,000
Inventory	4	130,693	-
Biological assets	5	144,479	-
Advances receivable	19	196,095	-
Due from related parties	18	275,747	47,145
TOTAL CURRENT ASSETS		4,512,440	133,254
Property, plant and equipment	6	20,912,553	35,662
Deposits		-	243,465
Intangible assets	9, 10, 16	1,276,347	-
Goodwill	10, 16	6,068,526	-
TOTAL ASSETS		\$ 32,769,866	\$ 412,381
LIABILITIES AND EQUITY (DEFICIENCY)			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	7	\$ 2,220,282	\$ 276,308
Loans payable	17	13,619,751	388,521
TOTAL CURRENT LIABILITIES		15,840,033	664,829
Deferred income tax liability	24	303,876	-
TOTAL LIABILITIES		16,143,909	664,829
EQUITY (DEFICIENCY)			
Share capital	11	38,465,541	1,803,241
Reserves	12, 13	6,411,036	280,951
Obligation to issue shares	11	-	18,750
Deficit		(28,132,613)	(2,351,864)
Accumulated other comprehensive income (loss)		(118,007)	(3,526)
TOTAL EQUITY (DEFICIENCY)		16,625,957	(252,448)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		\$ 32,769,866	\$ 412,381
Operations of the Company and Going Concern (Note 1)			
Commitments and contingencies (Note 21)			
Subsequent Events (Note 27)			

Approved on behalf of the Board of Directors on June 15, 2020

/s/ Stephanie Wesik
Director

/s/ Bob Blink
Director

The accompanying notes are an integral part of the consolidated financial statements.

TRANSCANNA HOLDINGS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts expressed in Canadian dollars)

For the year ended	<i>Note</i>	November 30, 2019	November 30, 2018
REVENUES			
Product revenue		\$ 240,460	\$ -
Direct inventory costs		(170,965)	-
GROSS MARGIN BEFORE FAIR VALUE ADJUSTMENTS		69,495	-
Change in fair value of biological assets	5	70,096	-
GROSS MARGIN		139,591	-
EXPENSES			
Advertising and promotion		4,939,724	158,334
Amortization	6,16	44,675	6,293
Acquisition costs	9	1,118,864	-
Consulting		429,636	437,632
Insurance		110,438	-
Investor relations		1,794,696	111,691
Legal fees		557,571	185,768
Management fees	18	647,497	323,205
Meals and entertainment		59,906	30,509
Office and miscellaneous		521,085	28,640
Professional fees		1,187,456	125,326
Regulatory and transfer fees		113,558	15,410
Rent and utilities		301,772	-
Repairs and maintenance		51,703	-
Research and development	19	13,877	605,057
Salaries, wages and benefits		779,494	-
Share-based compensation	13,18	847,160	-
Travel		263,459	52,305
TOTAL EXPENSES		(13,782,571)	(2,080,170)
LOSS BEFORE OTHER ITEMS		(13,642,980)	(2,080,170)
Abandoned acquisitions	14	(788,541)	-
Accretion expense	17	(38,652)	-
Loss on foreign exchange		(67,231)	(9,197)
Impairment - Advances receivable	20	-	(74,111)
Impairment - Accounts receivable		(77,896)	-
Impairment - Investment	15	(332,225)	-
Impairment - Property, plant, and equipment	6	(10,833,224)	-
Interest income		-	2,973
NET LOSS FOR THE YEAR		(25,780,749)	(2,160,505)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		(114,481)	(3,526)
COMPREHENSIVE LOSS FOR THE YEAR		\$ (25,895,230)	\$ (2,164,031)
Loss per share			
Basic and diluted		\$ (0.92)	\$ (0.21)
Weighted average number of shares			
outstanding, basic and diluted		27,885,825	10,510,207

The accompanying notes are an integral part of the consolidated financial statements.

TRANSCANNA HOLDINGS INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
(Amounts expressed in Canadian dollars)

	Number of common shares	Share Capital	Reserves	Obligation to Issue Shares	Accumulated Other Comprehensive Income	Deficit	Total equity (deficiency)
Balance at November 30, 2017	6,900,000	210,000	135,000	-	-	(191,359)	153,641
Shares issued for cash	2,520,000	306,000	-	-	-	-	306,000
Equity Units issued for cash	1,400,000	700,000	-	-	-	-	700,000
Equity Units issued as finders' fees	125,000	(22,746)	22,746	-	-	-	-
Shares issued for R&D expenses	1,082,473	541,237	-	-	-	-	541,237
Shares issued for services	137,500	68,750	-	-	-	-	68,750
Reserve for issuance of performance warrants	-	-	123,205	-	-	-	123,205
Obligation to issue shares	-	-	-	18,750	-	-	18,750
Foreign currency translation adjustments	-	-	-	-	(3,526)	-	(3,526)
Loss for the year	-	-	-	-	-	(2,160,505)	(2,160,505)
Balance at November 30, 2018	12,164,973	1,803,241	280,951	18,750	(3,526)	(2,351,864)	(252,448)
Shares issued for cash	14,400,350	28,201,750	-	-	-	-	28,201,750
Share issuance costs - cash	-	(1,713,887)	-	-	-	-	(1,713,887)
Share issuance costs - broker units	722,566	-	-	-	-	-	-
Share issuance costs - broker warrants	-	(3,247,732)	3,247,732	-	-	-	-
Shares issued upon exercise of warrants	3,834,600	3,722,710	(64,110)	-	-	-	3,658,600
Shares issued upon exercise of options	325,000	264,412	(101,912)	-	-	-	162,500
Shares for services	2,907,281	6,795,141	-	(18,750)	-	-	6,776,391
Shares for settlement of debt	56,266	110,000	-	-	-	-	110,000
Shares for loan extension	500,000	305,000	-	-	-	-	305,000
Warrants for services	-	-	2,201,216	-	-	-	2,201,216
Acquisition of Tres Ojos Naturals, LLC (Note 9)	810,000	617,867	-	-	-	-	617,867
Acquisition of Lyfted Farms Inc. (Note 10)	2,660,750	1,607,039	-	-	-	-	1,607,039
Share-based compensation	-	-	847,159	-	-	-	847,159
Foreign currency translation adjustments	-	-	-	-	(114,481)	-	(114,481)
Loss for the year	-	-	-	-	-	(25,780,749)	(25,780,749)
Balance at November 30, 2019	38,381,786	38,465,541	6,411,036	-	(118,007)	(28,132,613)	16,625,957

The accompanying notes are an integral part of the consolidated financial statements

TRANSCANNA HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts expressed in Canadian dollars)

For the year ended	November 30, 2019	November 30, 2018
OPERATING ACTIVITIES		
Net loss	\$ (25,780,749)	\$ (2,160,505)
Items not affecting cash		
Abandoned acquisitions	243,465	-
Accretion	38,652	-
Amortization	44,675	6,293
Accrued interest	24,974	2,538
Acquisition costs	1,118,864	-
Impairment - Advances receivable	-	74,111
Impairment - Accounts receivable	77,896	-
Impairment - Investment	332,225	-
Impairment - Property, plant, and equipment	10,833,224	-
Shares issued for services	341,391	-
Share-based compensation	847,160	87,500
Shares issued for research and development fees	-	541,237
Obligation to issue performance warrants	-	123,205
Software license deposit expensed	-	63,820
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	1,916,584	267,352
Accounts receivable	(451,190)	(1,799)
Advances receivable	-	(71,138)
Biological assets	(46,692)	-
Due to/from related parties	(241,178)	(53,112)
Inventory	39,744	-
Prepaid expenses	(260,800)	14,144
CASH FLOWS FROM OPERATING ACTIVITIES	(10,921,755)	(1,106,354)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	28,201,750	1,006,000
Proceeds from exercise of warrants	3,658,600	-
Proceeds from exercise of options	162,500	-
Share issuance costs - cash	(1,713,887)	-
Loans payable	(367,125)	383,010
CASH FLOWS FROM FINANCING ACTIVITIES	29,941,838	1,389,010
INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(13,970,138)	(41,955)
Acquisition of Tres Ojos Naturals, LLC, net of cash acquired	(619,510)	-
Acquisition of Lyfted Farms Inc., net of cash acquired	(717,004)	-
Advances receivable	(196,095)	-
Deposits	-	(243,465)
Investment in affiliates	(332,225)	-
Purchase of intangibles	(132,890)	-
CASH FLOWS FROM INVESTING ACTIVITIES	(15,967,862)	(285,420)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(6,998)	(3,526)
Change in cash during the year	3,045,223	(6,290)
Cash, beginning of the year	74,310	80,600
CASH, END OF THE YEAR	\$ 3,119,533	\$ 74,310

Supplemental cash flow information (Note 25)

The accompanying notes are an integral part of the consolidated financial statements

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

For the year ended November 30, 2019

(Amounts expressed in Canadian dollars, unless otherwise indicated)

1. OPERATIONS OF THE COMPANY AND GOING CONCERN

TransCanna Holdings Inc. (the “Company” or “TransCanna”) was incorporated on October 26, 2017, under the Business Corporations Act (British Columbia). The Company’s principal business activity is the creation of consumer brands, from inception to sales, which includes, but is not limited, to the manufacturing transportation and distribution services in the state of California including cannabis related products.

On January 9, 2019, the Company completed an initial public offering (“IPO”) transaction and private placement. Following the transaction, the Company’s shares were traded on the Canadian Securities Exchange (the “CSE”) under the symbol “TCAN”. The Company’s head office and registered office is located at Suite 928-1030 West Georgia Street, Vancouver, BC V6E 2Y3.

The Company, via its wholly owned subsidiary Lyfted Farms Inc., is licensed to cultivate, distribute, and sell wholesale cannabis products in the state of California. The Company operates in California pursuant to the California Medicinal and Adult-Use Cannabis Regulation and Safety Act. The Company is subject to risks common in the life sciences and consumer products industries including, but not limited to, compliance with government regulations, regulatory approvals, competitive markets, new technological innovations, protection of proprietary technology, dependence on key personnel, uncertainty of market acceptance and the need to obtain additional financing.

The Company’s business activities, and the business activities of its subsidiaries, which operate in jurisdictions where the use of marijuana has been legalized under state and local laws, currently are illegal under U.S. federal law. The U.S. Controlled Substances Act classifies marijuana as a Schedule I controlled substance. Any proceeding that may be brought against the Company could have a material adverse effect on the Company’s business plans, financial condition and results of operations.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. The inability to achieve these objectives indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company has incurred losses since its inception and has an accumulated deficit of \$28,132,613 with a working capital deficiency of \$11,327,593 as at November 30, 2019.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the years ended November 30, 2019 and 2018.

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

For the year ended November 30, 2019

(Amounts expressed in Canadian dollars, unless otherwise indicated)

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on June 15, 2020.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated on consolidation. Subsidiaries are those entities over which the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The following are TransCanna's wholly-owned subsidiaries and entities over which the Company has control as of November 30, 2019:

Entity	Location	Purpose	Percentage Held
TransCanna Management Inc. ("TCMI")	California	Management Company	100%
GF Group Inc., ("GFG")	California	Brand Management Company	100%
TCM Distribution Inc. ("TCDM")	California	Distribution Company	100%
Dalvi, LLC ("Dalvi")	California	Holding Company	100%
Tres Ojos Naturals, LLC ("SolDaze")	California	Branding Company	100%
Lyfted Farms Inc. ("Lyfted")	California	Cultivation, Production, and Distribution Facility	100%

Functional and presentation currency

The functional currency of the Company, as determined by management, is the Canadian ("CDN") dollar. The Company's subsidiaries all have the U.S. dollar as their functional currency.

Basis of measurement

These consolidated financial statements were prepared on a going concern basis, at historical cost basis except for biological assets and certain financial instruments, which are measured at fair value as explained in the accounting principles below. Other measurement bases are described in the applicable notes. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Foreign currency translation*Transactions and balances:*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Currency translations

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income or loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income or loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

For the year ended November 30, 2019

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Foreign operations

The financial results and position of all of the Company's subsidiaries namely TCMI ,GFG, TCDI, Dalvi, SolDaze, and Lyfted, each having the United States dollar as their functional currency, are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of these amounts are recognized in other comprehensive income or loss and recorded in the Company's foreign currency translation reserve in equity.

Critical accounting estimates, judgments and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts, considering factors such as economic and market conditions and the useful lives of assets.

Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any.

Biological assets

Biological assets, consisting of unharvested cannabis plants, are dependent upon estimates of future economic benefits resulting from past events to determine the fair value through an exercise of significant judgment by the Company. In estimating the fair value of its biological assets, the Company uses market observable data to the extent it is available. Biological assets are measured at fair value less costs to sell up to the point of harvest.

With respect to biological assets, where there is no active market for the unharvested produce, determination of the fair values of the biological assets requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to estimating the stage of growth of the cannabis plant, selling and other fulfillment costs, average selling prices and expected yields for the plants.

Valuation of inventory

Inventory is measured at the lower of cost or net realizable value, which includes the deemed costs arising from the fair value measurement gains on the transformation of biological assets. These deemed costs are estimated using assumptions that include, but are not limited to, selling and other fulfillment costs, and average selling prices. Any change in these assumptions could negatively impact operational results, the actual realizable value of inventory and future expected gains.

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

For the year ended November 30, 2019

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, requires the Company to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits rely on estimates of the Company's future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded could be impacted.

Equity-based payment arrangements

The Company uses the Black-Scholes valuation model to determine the fair value of options and warrants granted to employees and non-employees under share-based payment arrangements, where appropriate. In instances where equity awards have performance or market conditions, the Company utilized the Monte Carlo valuation model to simulate the various outcomes that affect the value of the award. In estimating fair value, management is required to make certain assumptions and estimates such as the expected term of the instrument, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Control, joint control or level of influence

When determining the appropriate basis of accounting for the Company's interests in affiliates, the Company makes judgments about the degree of influence that it exerts directly or through an arrangement over the investees' relevant activities.

Business Combinations and Asset Acquisitions

Determination of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business. The classification can have a significant impact on the accounting on and subsequent to the acquisition date.

Business Combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for by applying the acquisition method. The total consideration transferred in a business combination is the sum of the fair values of assets transferred, liabilities incurred or assumed, and equity interests issued by the acquirer in exchange for control of the acquiree. The acquisition date is the date where the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS 3 Business Combinations provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to profit or loss.

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when contingent payments are expected to be made and at what amounts, which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

For the year ended November 30, 2019

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Non-controlling interest in the acquiree, if any, is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration over the fair value of previously held equity interest prior to obtaining control, and the non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill.

Asset Acquisitions

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Goodwill is not recorded as a result of an asset acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES**Cash and cash equivalents**

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash. For the years presented, the Company did not have any cash equivalents.

Inventory

Inventories, consisting of dried cannabis, concentrate products, edible products, work-in-progress products, accessories and supplies are measured at the lower of cost or net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent direct and indirect post-harvest costs are capitalized to inventories as incurred, including labor related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, and production related depreciation. Net realizable value is determined as the estimated average selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories for supplies and accessories are valued at the lower of costs and net realizable value, with cost determined using the weighted average cost basis.

Production costs relating to inventory sold represent all costs of inventories recognized as expense in the years, except deemed costs of inventory that arise from the fair value measurement of biological assets transferred to finished harvest inventory. Fair value adjustments on inventory sold represents the deemed costs of inventory sold that arises from the fair value measurement of biological assets, exclusive of any capitalized costs.

Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related costs, materials, utilities, facilities costs, quality and testing costs, and production related depreciation and include such capitalized production costs in the fair value measurement of biological assets. Subsequently, such costs are recorded within the line item "direct inventory costs" on the consolidated statements of comprehensive loss in the year that the related product is sold. Agricultural produce consisting of cannabis is measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of harvested goods inventories after harvest (deemed cost). Selling and other fulfillment costs includes trimming, packaging and other fulfillment costs.

Gains or losses arising from changes in fair value less costs to sell during the years, exclusive of capitalized production costs, are included in gross profit under fair value adjustments within the results of operations of the related year. Upon harvest, capitalized production costs are transferred to finished harvest and are included in the fair value

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adjustments on inventory sold within the results of operations during the year in which the harvested cannabis is sold and revenue recognized. The Company determines the fair value of biological assets using a specific valuation technique that incorporates interdependent estimates and assumptions including the stage of growth of the cannabis plant, selling and other fulfillment costs, average selling prices, and expected yields for the cannabis plants to determine the weighted average fair value deemed cost per gram.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

	Estimated useful life
Buildings	40 years
Furniture and fixtures	5 years
Equipment	5 years
Computers and software	3 years
Leasehold improvements	Shorter of the life of the lease, or 15 years

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively if appropriate. Construction in progress is measured at cost and reflects amounts incurred for property or equipment construction or improvements that have not been placed in service. Upon completion, construction in progress will be reclassified as building or leasehold improvements depending on the nature of the assets and depreciated over the estimated useful life of the asset.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit and loss in the year the asset is de-recognized.

Leasehold improvements are depreciated over the terms of the leases when placed in service.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

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Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

Impairment of intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

Goodwill and indefinite life intangible assets are tested annually at November 30, 2019 for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGU’s for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgment.

An impairment loss is recognized for the amount by which the CGU’s carrying amount exceeds its recoverable amount. The recoverable amounts of the CGUs’ assets have been determined based on a fair value less costs of disposal. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior period. Impairment losses on goodwill are not subsequently reversed.

Share capital

Share capital is presented at the value of the shares issued. Costs related to issuing shares or share options are reported net of tax as a deduction of the proceeds from the issue. Dividends are included under liabilities in the period in which the payment is approved by the Board of Directors.

Transactions with shareholders are disclosed separately in equity.

If the Company reacquires its own equity instruments, the consideration paid, including directly attributable costs net of tax, is recognized as a deduction from equity. The reacquired shares are classified as treasury shares in the treasury share reserve. When the treasury shares are sold or reissued, the amount received is recognized as an increase in equity, and the positive or negative balance from the transaction is reported as a share premium.

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Valuation of equity instruments issued in private placements

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements are determined to be the more easily measurable component and as such are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any is allocated to the attached warrants and is recorded as such.

Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred the Company are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of its qualifying assets as they are being constructed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Specific borrowings

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, it determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

The financing arrangements for a qualifying asset may result in the Company obtaining borrowed funds and incurring associated borrowing costs before some or all of the funds are used for expenditures on the qualifying asset. In such circumstances, the funds are temporarily invested pending their expenditure on the qualifying asset. In determining the amount of borrowing costs eligible for capitalization during a period, the Company assesses the amount of investment income that will be earned on such funds and deducts such amount from the borrowing costs incurred.

General borrowings

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, it determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the Company's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining qualifying assets.

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Related party transactions

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

Income taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantially enacted to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the period of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Revenue recognition

In accordance with IFRS 15, Revenue from Contracts with Customers, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services. The Company applies the following five-step analysis to determine whether, how much and when revenue is recognized:

(1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognize revenue when or as the Company satisfies a performance obligation.

Under IFRS 15, revenue from the sale of cannabis and derivative products is generally recognized at a point in time when control over the goods has been transferred to the customer. Payment is generally due prior to transfer of the goods and is recognized as revenue upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer, the timing of which is consistent with the Company's previous revenue recognition policy.

Sales taxes

Sales taxes collected from customers are excluded from revenues.

Equity-based payment arrangements

The Company measures all share-based payment arrangements to employees and non-employees at the fair value on the date of the grant. The Company estimates the fair value of each equity-based award using either the current market price of the stock, the Black-Scholes valuation model or the Monte Carlo valuation model. The inputs into the Black-Scholes valuation model, including the expected term of the instrument, expected volatility, risk-free interest rate and dividend rate are determined by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. In instances where the award has performance or market conditions, the Company utilizes the Monte Carlo valuation model to simulate the various outcomes that affect the value of the award. The grant-date fair value of equity-settled share-based payment arrangements is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the

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amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new market, scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Provisions

A provision is recognized when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation. Where a potential obligation resulting from past events exists, but occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in unrecognized commitments and litigation (Note 21). Provisions include provisions for litigation (legal, employee-related) and others (environment).

The more significant or complex litigation cases are reviewed one by one on a regular basis by the Company's legal department with the assistance of outside counsel.

Financial instruments

The Company has adopted the new accounting standard IFRS 9, Financial Instruments ("IFRS 9"), effective October 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and liabilities. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9, Financial Instruments

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

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The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) 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.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information. The following table shows the classification of the Company’s financial assets and liabilities under IFRS 9 and IAS 39:

	IFRS 9 Classification	IAS 39 Classification
Financial assets		
Cash	FVTPL	FVTPL
Accounts receivable	Amortized cost	Loans and receivables
Advances receivable	Amortized cost	Loans and receivables
Due from related parties	Amortized cost	Loans and receivables
Deposits	Amortized cost	Loans and receivables
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Due to related parties	Amortized cost	Other financial liabilities
Loans payable	Amortized cost	Other financial liabilities

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Impairment of financial assets

The Company applies an expected credit loss (“ECL”) model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions.

Measurements of fair values

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are summarized below:

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

There have been no transfers between fair value levels during the years included in these financial statements.

Future accounting policies not yet adopted

IFRS 16

In 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), replacing IAS 17, Leases and related interpretations. The standard introduces a single on- statement of financial position recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. The Company expects that IFRS 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. This will result in an increase in depreciation and interest expenses. The Company also expects cash used in financing activities to increase as the principal portion of lease payments will be recorded as financing outflows in the Company's consolidated statement of cash flow.

IFRIC 23 Uncertainty Over Income Tax Treatments

IFRIC 23 Clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The Company does not expect an impact on adopting this standard.

4. INVENTORY

Details of the Company's inventory are shown in the table below:

Raw materials	\$	40,722
Finished goods		89,971
Carrying amount, November 30, 2019	\$	130,693

During the year ended November 30, 2019, inventory expensed to cost of goods sold was \$170,965 (2018 - \$nil).

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5. BIOLOGICAL ASSETS

Biological assets consist of actively growing cannabis plants expected to be harvested as agricultural produce. The changes in the carrying amount of the biological assets are shown in the table below:

Carrying amount, November 30, 2018 and 2017	\$	-
Biological assets acquired		74,383
Changes in fair value less costs to sell due to biological transformation		70,096
Carrying amount, November 30, 2019	\$	144,479

The Company's biological assets consist of unharvested cannabis plants and are presented at their fair values less costs to sell up to the point of harvest. The valuation of these biological assets is obtained using a specific valuation technique where the inputs are based upon unobservable market data (Level 3 in the fair value hierarchy).

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on future selling prices less the costs to sell at harvest. For in-process biological assets, the estimated fair value at the point of harvest is adjusted based on the plants' stage of growth, which is determined by reference to days remaining to harvest over the average growth cycle. The number of weeks in a production cycle is approximately 16 weeks from propagation to harvest.

The Company's estimates are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets. These estimates include the following assumptions:

- a. Selling prices per gram were determined by estimating the Company's average selling price for each respective period. The Company's average selling price for the years ended November 30, 2019 was USD \$5.70 per gram;
- b. The stage of plant growth at which point of harvest is determined. As of November 30, 2019, the biological assets were on average 27% completed;
- c. Expected costs to grow were determined by estimating the Company's average cost per gram, which was \$3.60 per gram and equivalent gram of cannabis sold as of November 30, 2019; and
- d. Expected yield per plant varies by strain and is estimated through historical growing. The Company's average dry yield per plant as of November 30, 2019 was 68 grams per cannabis plant.

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are shown in the table below:

Significant assumptions	Inputs	Impact of 20% change	
Estimated selling price per gram	USD	\$5.70	\$ 55,096
Stage of growth		27%	\$ 61,375
Expected yield per plant in grams		68 g	\$ 28,895

The Company's estimates are subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

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6. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer hardware	Furniture and equipment	Vehicle	Property, plant, and equipment	Land	Leasehold improvements	TOTAL
Balance, November 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	41,955	-	-	-	-	-	41,955
Balance, November 30, 2018	\$ 41,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,955
Additions	3,888	14,100	113,572	28,791,366	1,627,977	1,075,520	31,626,423
Impairment	-	-	-	(10,833,224)	-	-	(10,833,224)
Foreign exchange adjustments	-	-	224	108,733	(8,672)	12,430	112,716
Carrying amount, November 30, 2019	\$ 45,843	\$ 14,100	\$ 113,796	\$ 18,066,875	\$ 1,619,305	\$ 1,087,951	\$ 20,947,870

Accumulated amortization	Computer hardware	Furniture and equipment	Vehicle	Property, plant, and equipment	Land	Leasehold improvements	TOTAL
Balance, November 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	(6,293)	-	-	-	-	-	(6,293)
Balance, November 30, 2018	\$ (6,293)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,293)
Amortization	(10,698)	(1,410)	(15,473)	(551)	-	(906)	(29,037)
Foreign exchange adjustments	-	-	18	(1)	-	(2)	15
Balance, November 30, 2019	\$ (16,991)	\$ (1,410)	\$ (15,455)	\$ (552)	\$ -	\$ (908)	\$ (35,315)

Net book value, November 30, 2018	\$ 35,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,662
Net book value, November 30, 2019	\$ 28,852	\$ 12,690	\$ 98,341	\$ 18,066,323	\$ 1,619,305	\$ 1,087,043	\$ 20,912,553

During the year ended November 30, 2019, the Company determined there were indicators of potential impairment of the carrying value of the Modesto facility. The Company noted the purchase price of the Modesto facility compared to the carrying amount that included transaction costs exceed the expected fair value of the facility.

As at November 30, 2019 the recoverable amount of the Modesto facility was estimated as fair value less cost of disposal based on using a market value by comparison approach being a level 2 measurement in the fair value hierarchy. Key inputs are acquisition metrics of recent transactions completed on similar assets to those of the Modesto facility. An impairment charge of \$10,833,224 was recorded in the statement of comprehensive loss.

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2019	November 30, 2018
Trade payables	\$ 1,946,879	\$ 181,359
Accrued liabilities	273,403	94,949
	\$ 2,220,282	\$ 276,308

8. ACCOUNTS RECEIVABLE

	November 30, 2019	November 30, 2018
Sales tax receivable	\$ 293,247	\$ 1,799
Trade receivables	11,126	-
Employee advances receivable	70,720	-
	\$ 375,093	\$ 1,799

During the year ended November 30, 2019, the Company wrote off accounts receivable amounts deemed uncollectible and recorded an impairment loss of \$77,896 (2018 - \$nil).

9. ACQUISITION OF TRES OJOS NATURALS, LLC

On September 19, 2019, the Company acquired a 100% interest in SolDaze for \$464,065 in cash and 810,000 common shares of the Company with a fair value of \$617,867. The acquisition aligned with the Company's strategy to build a diversified offering of branded consumer products in the cannabis industry.

The Company has concluded that the transaction did not qualify as a business combination under IFRS 3, "Business Combinations", as significant processes were not acquired. The acquisition was therefore accounted for as an asset acquisition. The purchase consideration has been allocated based on the Company's assessment of the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The purchase price allocation is as follows:

CONSIDERATION

Cash consideration	\$ 464,065
Common shares issued (315,000 at \$0.90)	283,500
Restricted shares issued (495,000 at \$0.68)	334,367
	\$ 1,081,932

NET ASSETS OF TRES OJOS NATURALS, LLC

Cash	\$ 43,440
Accounts payable and accrued liabilities	(9,593)
Brand	140,545
Short term loan	(10,422)
Loan - advance from TCAN	(198,885)
Due to officers	(2,016)
	(36,932)
Acquisition costs	1,118,864
	\$ 1,081,932

Pursuant to the terms of the asset purchase agreement, the share consideration is to be released to the acquiree over a period of time with 315,000 shares being provided upon completion of the acquisition with the remainder released in four tranches of 123,750 shares every six months beginning November 15, 2019.

The value of the restricted common shares was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

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10. ACQUISITION OF LYFTED FARMS, INC.

On November 12, 2019, the Company acquired all of the shares of Lyfted for \$723,636 in cash, 2,660,750 common shares of the Company with a fair value of \$1,607,039, and a non-interest bearing short-term note with a fair value of \$4,804,027. The acquisition aligned with the Company's strategy to build out a fully vertically integrated cannabis growth, production, and distribution operation.

The Company has concluded that the transaction qualified as a business combination under IFRS 3, "Business Combinations", as significant processes were acquired in the form of a fully operation cultivation facility along with the requisite inputs in the form of skilled management, a labour force, and the knowledge required to produce outputs. The acquisition was therefore accounted for as a business combination. The purchase consideration has been allocated based on the Company's assessment of the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The purchase price allocation is as follows:

CONSIDERATION

Closing cash consideration	\$	723,636
Common shares issued (665,187 at \$0.76)		505,542
Restricted shares issued (1,995,563 at \$0.55)		1,101,497
Unsecured non-interest bearing note (Note 17)		4,804,027
	\$	7,134,702

The consideration was allocated as follows:

Cash	\$	6,632
Biological assets		74,383
Inventory		170,437
Property, plant, and equipment		217,662
Licenses		460,495
Brand		557,857
Goodwill		6,068,526
Deposits		10,519
Accounts payable and accrued liabilities		(127,933)
Deferred tax liability		(303,876)
	\$	7,134,702

Pursuant to the terms of the asset purchase agreement, the share consideration is to be released to the acquiree over a period of time with 665,187 shares being provided upon completion of the acquisition with the remainder released in three tranches of 665,188 shares every three months beginning February 15, 2019.

The value of the restricted common shares was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

The non-interest bearing note with a face value \$5,262,800 was present valued using the discount rate method for a fair value of \$4,804,027. (Note 17)

From the date of acquisition to November 30, 2019, Lyfted contributed \$87,345 in revenue. The amount of losses attributable to the acquisition, from the date of acquisition to November 30, 2019, is \$93,785. The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company.

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

For the year ended November 30, 2019

(Amounts expressed in Canadian dollars, unless otherwise indicated)

11. SHARE CAPITAL

Authorized: unlimited number of common voting shares without nominal or par value.

During the year ended November 30, 2019, the Company:

- Issued 4,400,000 units as part of an initial public offering at \$0.50 for gross proceeds of \$2,200,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional share at an exercise price of \$1.00 per share until January 8, 2020. As part of the offering, the Company paid finder's fees as follows:
 - \$95,107 in cash;
 - 352,000 broker warrants with a fair value of \$51,829 entitling the holder to purchase one additional share for \$0.50 until January 8, 2020; and
 - 308,400 broker units valued at \$132,852 comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional share at an exercise price of \$1.00 per share until January 8, 2020.
 - 308,400 agent warrants valued at \$21,348 entitling the holder to purchase one additional share at an exercise price of \$1.00 per share until January 8, 2020
- Issued 8,000,000 units as part of a brokered private placement at \$2.00 for gross proceeds of \$16,000,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional share at an exercise price of \$3.00 per share until April 4, 2020. As part of the financing, the Company paid finder's fees as follows:
 - \$744,657 in cash;
 - 351,666 broker units valued at \$703,332;
 - 62,500 broker units valued at \$125,000;
 - 207,083 broker warrants valued at \$224,733 entitling the holder to purchase one additional share at an exercise price of \$3.00 per share until April 4, 2020; and
 - 640,000 broker warrants valued at \$2,548,233 entitling the holder to purchase one additional share at an exercise price of \$2.00 per share until April 4, 2020.
- Issued 2,000,350 units as part of a brokered private placement at \$5.00 for gross proceeds of \$10,001,750. Each unit is comprised of one common share and one half common share purchase warrant entitling the holder to purchase one additional share at an exercise price of \$6.00 per share until June 7, 2022. As part of the financing, the Company paid finder's fees as follows:
 - \$874,123 in cash.
 - 140,024 agent warrants valued at \$401,589 entitling the holder to purchase one additional share at an exercise price of \$6.00 per share until June 7, 2022
- Issued 810,000 shares to acquire a 100% interest in Tres Ojos Naturals, LLC with a fair value of \$617,867.
- Issued 2,660,750 shares to acquire a 100% interest in Lyfted Farms, Inc. with a fair value of \$1,607,039.
- Issued 2,907,281 shares for services with a fair value of \$6,795,141.
- Issued 56,266 shares with a fair value of \$110,000 for the extinguishment of \$110,000 in outstanding debt.
- Issued 500,000 shares for a loan extension with a fair value of \$305,000.

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

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- Issued 3,834,600 shares upon the exercise of warrants for proceeds of \$3,658,600.
- Issued 325,000 shares upon the exercise of options for proceeds of \$162,500.

During the year ended November 30, 2018, the Company:

- Issued 2,160,000 common shares at a price of \$0.10 per share for proceeds of \$216,000.
- Issued 360,000 common shares at a price of \$0.25 per share for proceeds of \$90,000.
- Issued 1,400,000 units at a price of \$0.50 per unit for proceeds of \$700,000. Each unit consisted of one common share and warrant entitling the holder to purchase one additional common share at a price of \$1.00 per share until April 20, 2020. In connection with these units, the Company issued 125,000 finder's units with a fair value of \$85,246, of which \$62,500 were recorded as fair value of shares issued.
- Issued 1,082,473 shares at a fair value of \$0.50 per share to LDS as part payment for the Royalty Agreement to use the track and trace software for a fair value of \$541,237.
- Issued 100,000 shares of the Company's common stock at a fair value of \$0.50 per share to the advisor as compensation for services, for a fair value of \$50,000 recorded as consulting expense.
- Issued 25,000 shares at a fair value of \$0.50 per share to the advisor as compensation for services, for a fair value of \$12,500 recorded as consulting expense.
- Issued 12,500 shares at a fair value of \$0.50 per share to the advisor as compensation for services in October for a fair value of \$6,250 recorded as consulting expense. In addition, the Company recognized an obligation to issue shares for a further 12,500 shares with a fair value of \$6,250 in obligation to issue shares, which were issued subsequently.
- Company recognized an obligation to issue shares for 25,000 shares with a fair value of \$12,500 in obligation to issue shares, which were issued subsequently.

TRANSCANNA HOLDINGS INC.

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(Amounts expressed in Canadian dollars, unless otherwise indicated)

12. WARRANTS

A summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining life (in years)
Balance, November 30, 2017	-	\$ -	-
Granted	2,275,000	0.84	1.98
Exercised	-	-	-
Balance, November 30, 2018	2,275,000	\$ 0.84	1.98
Granted	12,247,682	2.35	0.97
Exercised	(4,099,600)	0.96	-
Expired/forfeited	(750,000)	0.50	-
Balance, November 30, 2019	9,673,082	\$ 2.72	1.23

As of November 30, 2019, outstanding equity-classified warrants to purchase common shares consisted of the following:

Expiry date	Number of warrants	Exercise price	Weighted average remaining life (in years)
April 19, 2020	330,000	\$ 1.00	0.39
May 1, 2020	200,000	\$ 1.00	0.42
May 1, 2020	15,000	\$ 1.00	0.42
May 28, 2020	400,000	\$ 1.00	0.49
May 28, 2020	32,500	\$ 1.00	0.49
June 4, 2020	7,500	\$ 1.00	0.51
January 8, 2020	1,192,400	\$ 1.00	0.11
January 8, 2020	308,400	\$ 1.00	0.11
April 4, 2020	4,000,000	\$ 3.00	0.35
April 4, 2022	207,083	\$ 3.00	2.35
April 4, 2022	640,000	\$ 2.00	2.35
February 21, 2024	1,200,000	\$ 2.60	4.23
June 7, 2022	1,000,175	\$ 6.00	2.52
June 7, 2022	140,024	\$ 6.00	2.52
	9,673,082	\$ 2.72	1.23

During the year ended November 30, 2019, the Company recorded share issue costs of \$3,247,732 with respect to 1,647,507 broker warrants granted as finders' fees. The weighted average fair value of these broker warrants was \$1.97 per warrant and was estimated using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value are as follows:

	November 30, 2019	November 30, 2018
Risk-free interest rate	1.37% - 1.80%	1.92%
Expected life	1 - 5 years	2 years
Annualized volatility	100%	100%
Dividend rate	0%	0%
Weighted average fair value per warrant	\$ 1.97	\$ 0.11

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13. STOCK OPTIONS

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The aggregate number of stock options granted shall not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the plan, with no one individual being granted more than 5% of the issued and outstanding common shares.

A summary of the Company's options activity is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life (in years)
Balance, November 30, 2018 and 2017	-	\$ -	-
Granted	2,729,000	0.82	3.52
Exercised	(325,000)	0.50	-
Expired/forfeited	(800,000)	0.50	-
Balance, November 30, 2019	1,604,000	\$ 0.50	4.51

As of November 30, 2019, outstanding and exercisable options to purchase common shares consisted of the following:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining life (in years)
January 8, 2022	25,000	25,000	\$ 0.50	2.11
January 20, 2022	50,000	50,000	1.37	2.14
January 20, 2022	169,000	169,000	1.37	2.14
November 6, 2024	1,160,000	349,800	1.00	4.94
November 6, 2024	200,000	66,000	1.00	4.94
	1,604,000	659,800	\$ 1.04	4.51

During the year ended November 30, 2019, the Company recorded share-based compensation of \$847,160 with respect to 2,729,000 stock options granted. The weighted average fair value of these options was \$0.61 per option and was estimated using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value are as follows:

Risk-free interest rate	153% - 1.94%
Expected life	3 - 5 years
Annualized volatility	100.56%
Dividend rate	0%
Weighted average fair value per option	\$ 0.61

TRANSCANNA HOLDINGS INC.

Notes to the Consolidated Financial Statements

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(Amounts expressed in Canadian dollars, unless otherwise indicated)

14. ABANDONED ACQUISITIONS

During the year ended November 30, 2019, the Company signed a Letter of Intent (“LOI”) to acquire GoodFellas Group LLC (“GoodFellas”). The Company would then subsequently enter into a branding agreement wherein they would acquire GoodFellas’ brands as part of their strategy to diversify their revenue streams via brand management. Subsequent to further discussion, the Company chose to not follow through with the brand acquisition after acquiring GoodFellas and as such impaired all outstanding balances.

On October 4, 2019 the company and GoodFellas signed a release and settlement agreement ending the acquisition of GoodFellas by the Company. As part of the release and settlement agreement the two companies have entered into an agency agreement with GoodFellas wherein the Company acquired the Daily brand valued at \$132,890 in lieu of repayment of advances provided. As such, the Company impaired a total of \$457,500 in funds advanced to GoodFellas as working capital advances.

During the year ended November 30, 2019, the Company signed a Letter of Intent (“LOI”) to acquire Pacific Agriculture (“PacAg”) for USD \$250,000. The two parties could not reach a mutual agreement and as such the Company terminated the agreement and impaired a total of \$331,041 in funds advanced to PacAg as working capital advances. See contingencies note for further discussion. (Note 21)

15. IMPAIRMENT OF INVESTMENT

During the year ended November 30, 2019, the Company subscribed to a financing round by CannamAb, a tech start-up in the early stages of a patent application in the life sciences and biotech sector for 1,200,000 shares for a total investment of \$332,225.

As at year-end, the determined the fair value of its investment based on its net realizable value. Management has been unable see significant progress on the patent and has assessed it unlikely the Company will recover any of its investment. As such, the Company impaired its entire investment in CannamAb.

16. INTANGIBLE ASSETS AND GOODWILL

Cost	License	Brand	Total intangibles	Goodwill
Balance, November 30, 2018 and 2017	\$ -	\$ -	\$ -	\$ -
Acquisition of Tres Ojos Naturals, LLC (Note 9)	-	140,545	140,545	-
Acquisition of Lyfted Farms, Inc. (Note 10)	460,495	557,857	1,018,352	6,068,526
GF Group - 'Daly' Brand	132,890	-	132,890	-
Foreign exchange adjustments	65	140	205	-
Balance, November 30, 2018	\$ 593,450	\$ 698,542	\$ 1,291,992	\$ 6,068,526
Accumulated amortization	License	Brand	Total	Goodwill
Balance, November 30, 2018 and 2017	\$ -	\$ -	\$ -	\$ -
Amortization	(4,565)	(11,073)	(15,638)	-
Foreign exchange adjustments	(2)	(5)	(7)	-
Balance, November 30, 2019	\$ (4,567)	\$ (11,078)	\$ (15,645)	\$ -
Net book value, November 30, 2019	\$ 588,883	\$ 687,464	\$ 1,276,347	\$ 6,068,526

TRANSCANNA HOLDINGS INC.

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17. LOANS PAYABLE

During the year ended November 30, 2019, the Company, through its wholly owned subsidiary, Dalvi, LLC entered into an agreement to purchase a 196,000 square foot facility in Modesto California for USD \$15,000,000 (CAD \$20,100,000). The Company paid a USD \$250,000 deposit followed by a cash payment of USD \$8,000,000 (CAD \$10,700,000). The balance of USD \$6,750,000 (CAD \$8,970,075) was financed by a promissory note with an interest rate of 7% per annum and an original maturity date of October 15, 2019 secured against the facility. On October 10, 2019, the Company exercised an option to extend the maturity date of the loan to April 15, 2020 by issuing 500,000 shares valued at \$305,000.

As consideration for the seller's agreement to accept the promissory note, and to provide an additional month extension for closing, the Company agreed to pay the seller USD \$200,000 immediately and issue to the seller an aggregate of 500,000 common shares valued at \$ 1,695,000 and 1.2 million share purchase warrants valued at \$ 2,201,215 upon closing of the acquisition. Each warrant will be exercisable to acquire one common share of the Company at an exercise price of \$2.60 per share for a five-year period from the date of issuance, vesting quarterly in equal portions over the initial 12 months of the five-year term commencing on the date of the original extension, being February 21, 2019, notwithstanding the warrants were issued upon closing of the acquisition of the Property. Additionally, the company issued 2,000,000 shares (valued at \$ 4,740,000) for consulting services related to due diligence on the purchase of the property. (Note 11)

During the year ended November 30, 2019, the Company recorded accrued interest expense for \$392,441 (USD 295,313) and accretion expense of \$224,511 which was capitalized to the carrying cost of the building. (Note 6)

	November 30, 2019	November 30, 2018
Balance, beginning	\$ 388,521	\$ -
Loans received	8,970,075	383,010
Interest accrued	3,398	5,511
Loan extension fee	(305,000)	-
Accretion	82,152	-
Loans and interest repaid	(391,919)	-
Foreign exchange adjustments	(12,464)	-
Balance, ending	\$ 8,734,763	\$ 388,521

On November 12, 2019, the Company acquired a 100% interest in Lyfted (Note 10). Pursuant to the terms of the purchase, the Company provided a non-interest bearing note payable for the amount with a face value \$5,316,000 due June 30, 2020. This was present valued using the discount rate method for a fair value of \$4,804,027 due to being a below market rate debt instrument. During the year ended November 30, 2019, the Company recognized accretion expense for the amount of \$38,652 (2018 - \$nil).

	November 30, 2019	November 30, 2018
Balance, beginning	\$ -	\$ -
Loans received	4,804,027	-
Accretion	38,652	-
Foreign exchange adjustments	42,309	-
Balance, ending	\$ 4,884,988	\$ -

TRANSCANNA HOLDINGS INC.

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18. RELATED PARTY TRANSACTIONS*Key management personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's board of directors and corporate officers and/or companies controlled by those individuals. Remuneration attributed to key management personnel during the years ended November 30, 2019 and November 30, 2018, are summarized in the table below:

	November 30, 2019	November 30, 2018
Salaries and benefits	\$ 921,502	\$ 200,000
Consulting and accounting	187,750	72,000
Share-based compensation	349,800	123,205
	\$ 1,459,052	\$ 395,205

As at November 30, 2019, included in accounts payable and accrued liabilities is \$582,150 owed to related parties for salaries and benefits with \$275,747 (2018 - \$47,145) receivable for advances for expenses.

During the year ended November 30, 2019, the Company's former CEO resigned. Pursuant to the termination of his employment with the Company, he forfeited 750,000 share purchase warrants issued during the year ended November 30, 2018 originally valued at \$123,205.

19. LICENSE AND ROYALTY AGREEMENT

On November 15, 2017, the Company entered into an Intellectual Property License and Royalty Agreement (the "Royalty Agreement") with Lifestyle Delivery Systems Inc. ("LDS"), a company related by virtue of former common management and a common director, for the non-exclusive rights to utilize LDS's "Track and Trace" software for a period of five years.

LDS was in the process of developing the software, and the Company paid LDS an initial license fee of USD \$50,000 (CAD \$63,820) which was reflected as a deposit. On February 20, 2018, the Royalty Agreement was amended to include a payment of 9% of the outstanding shares of the Company prior to the Company's initial public offering ("IPO"). On May 2, 2018, the Company issued 1,028,077 common shares representing 9% of the outstanding shares for a fair value of \$514,039. On June 5, 2018, the Company issued 54,396 common shares to LDS representing 9% of the shares issued since May 2, 2018, for a fair value of \$27,198.

On January 1, 2019, the Company issued 19,781 common shares to LDS representing 9% of the shares issued since June 5, 2018, for a fair value of \$9,891 in fulfillment of the Company's obligations pursuant to the License Agreement.

On July 4, 2019, the Company advanced LDS USD \$150,000 (CAD \$196,095) as a short-term advance. As at November 30, 2019, the full amount of advance is due and payable.

As LDS was in the process of developing the software and the criteria to capitalize development expenditure under IAS 38 has not been met, the Company has expensed the research and development expense.

20. ADVANCES RECEIVABLE

On February 23, 2018, the Company signed a promissory note with Flo Distribution, LLC for USD \$54,532 (CAD 70,313) ("Flo Distro Note"). The principal advanced under the Flo Distro Note had an effective interest rate of 10.47%. It was unsecured and matured on October 31, 2018. Interest of USD \$2,402 (CAD \$2,973) has been accrued on this loan. At November 30, 2018, it was determined that the loan was uncollectable and it was impaired due to uncertainty on collectability.

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On April 13, 2018, the Company signed a 90-day promissory note with SuperBad for USD \$33,000 (CAD \$42,358) (“SuperBad Note”). The principal advanced under the SuperBad Note accumulated interest at 10% per annum for an effective interest rate of 10.52%. It was unsecured and matured on July 13, 2018. Interest of USD \$638 (CAD \$825) was accrued on the SuperBad Note. In June 2018 TransCanna paid SuperBad to sponsor functions. The cost of these functions totaled USD \$33,000 and was applied against the principal of the loan. The interest was impaired due to uncertainty on collectability.

21. COMMITMENTS AND CONTINGENCIES

Leases

During the year ended November 30, 2019, the Company entered into a 10 month lease agreement terminating on August 30, 2020 for their office space.

During the year ended November 30, 2019, the Company entered into two 5 year lease agreements for cultivation and distribution facilities terminating on November 30, 2024.

The total lease commitments are as follows:

2020	\$	229,702
2021		193,913
2022		193,913
2023		193,913
2024		193,913
Total	\$	1,005,354

Contingencies

The Company is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company’s financial position or results of operations and, therefore, the commitment table does not include any provisions for outstanding litigation and potential claims.

On October 1st, 2019 the Company received a notice that a lawsuit was filed with the court of Federal District Court for the Southern District of Florida by ROK Consulting (“ROK”). The plaintiffs are seeking damages of USD \$300,000 and 180,000 shares for the termination of a consulting agreement entered into with the Company. The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

On December 9th, 2019 the Company received a notice that a lawsuit was filed with the court of Nassau County, New York by PacAg. The plaintiffs are seeking damages for the termination of the acquisition agreement discussed previously (Note 14). The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

22. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The fair value of the Company’s receivables, accounts payable and accrued liabilities, loans payable, and amounts due to related parties approximate carrying value, which is the amount recorded on the statements of financial position. The fair value of the Company’s cash under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

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The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents are held with major financial institutions in Canada and USA which management believes the risk of loss to be remote. Receivables consist of tax refunds from the Federal Government of Canada and, in which regular collection occurs. The Company believes its credit risk is equal to the carrying value of this balance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 23, in normal circumstances.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and advances payable.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's is held mainly in chequing accounts and therefore are exposed to minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values compared to carrying value.

The Company's interest rate risk arises principally from the changes in interest rates related to the loan used to finance the purchase of their facility in Modesto, California at 7%. A one percent increase in interest rates would result in an increase of approximately \$89,700 to the Company's loss for the year ended November 30, 2019.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, and accounts payable and accrued liabilities that are denominated in US dollars.

	November 30, 2019	November 30, 2018
Cash denominated in USD	\$ 527,524	\$ -
Accounts receivable denominated in USD	81,846	-
Accounts payable and accrued liabilities denominated in USD	(305,350)	(75,208)
Loans denominated in USD	(13,619,751)	-
Total	\$ (13,315,731)	\$ (75,208)
Effect of a 10% change in exchange rates	\$ (1,331,573)	\$ (7,520)

TRANSCANNA HOLDINGS INC.

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23. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the growth of the business and finance future expansion while maintaining strong creditor relationships and shareholder return. The Board of Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the capital management strategy during the year ended November 30, 2019.

24. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	November 30, 2019	November 30, 2018
Loss for the year	\$ (25,780,749)	\$ (2,160,505)
Statutory income tax rate	27%	27%
Expected income tax (recovery)	(6,961,000)	(583,000)
Change in statutory, foreign tax, foreign exchange rates and other	(6,704,000)	-
Permanent differences	548,000	37,000
Share issue cost	(463,000)	(24,000)
Change in unrecognized deductible temporary differences	13,580,000	570,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of deferred tax assets that have not been included on the statements of financial position are as follows:

	November 30, 2019	November 30, 2018
Deferred tax assets:		
Property and equipment	\$ 12,000	\$ 3,000
Share issue costs	370,000	18,000
Non-capital losses available for future period	3,899,000	599,000
	4,281,000	620,000
Valuation allowance	(4,281,000)	(620,000)
Unrecognized deferred tax assets	-	-
Intangible assets	(303,876)	-
Net deferred tax liability	\$ (303,876)	\$ -

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25. SUPPLEMENTAL CASH FLOW INFORMATION

	November 30, 2019	November 30, 2018
Property, plant, and equipment acquisition financed with debt	\$ 8,346,242	\$ -
Property, plant, and equipment acquisition financed with shares	305,000	-
Shares issued for advisory services for building acquisition	4,740,000	-
Shares issued for building acquisition extension	1,695,000	-
Warrants issued for advisory services for building acquisition	2,201,215	-
Share issuance costs - broker warrants	3,247,732	85,246
Shares issued for the acquisition of Tres Ojos Naturals, LLC	617,867	-
Shares issued for the acquisition of Lyfted Farms, Inc.	1,607,039	-
Shares issued for services	847,160	68,750
Shares issued for research and development	9,891	541,237

26. GEOGRAPHIC SEGMENTS

The following non-current assets are located in the following countries:

As at November 30, 2019	Canada	USA	TOTAL
Property, plant, and equipment	\$ 41,542	\$ 20,871,012	\$ 20,912,553
Total	\$ 41,542	\$ 20,871,012	\$ 20,912,553

As at November 30, 2018	Canada	USA	TOTAL
Property, plant, and equipment	\$ 35,662	\$ -	\$ 35,662
Total	\$ 35,662	\$ -	\$ 35,662

The following is revenue earned from external customers:

Year ended November 30, 2019	Canada	USA	TOTAL
Revenue	\$ -	\$ 240,460	\$ 240,460

Year ended November 30, 2018	Canada	USA	TOTAL
Revenue	\$ -	\$ -	\$ -

27. SUBSEQUENT EVENTS

Subsequent to the year end, the Company received gross proceeds \$488,500 for the exercise of 400,000 options at \$0.60, 25,000 options at \$0.50, and 200,000 options at \$1.18. Gross proceeds of \$1,908,750 were realized through the exercise of 1,908,750 warrants priced at \$1.00 per warrant.

Common shares in the amount of 550,504 were issued to settle US \$500,000 (CDN \$649,595) of a Promissory Note with a principal amount of US \$4,000,000 that was issued in favor of Lyfted in connection with the Company's recent acquisition. (Notes 10 and 17) The balance of the Promissory Note to Lyfted is currently US \$3,500,000.

On January 3, 2020, the Company announced that its subsidiary, Dalvi, LLC ("Dalvi"), entered into an Amendment Agreement to further extend the maturity date of the Promissory Note in the amount of US \$6,750,000, previously

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For the year ended November 30, 2019

(Amounts expressed in Canadian dollars, unless otherwise indicated)

issued by Dalvi with a maturity date of April 2020 to April 2022. Under the terms of the Agreement, Dalvi agreed to pay an extension fee of US \$135,000. As well, the interest rate will increase from 7% to 12% per annum.

On January 8, 2020, the Company settled an outstanding debt owing to a consultant in the amount \$255,000 with the issuance of 300,000 common shares at a deemed price of \$0.85 per share. The shares are subject to a pooling agreement that restricts trading for a period of eight months from the date of issuance.

On January 15, 2020, the Company granted 200,000 stock options at an exercise price of \$1.18 for a period of one year to a consultant of the Company. These options were exercised on January 23, 2020.

On February 18, 2020, the Company also granted 778,333 five-year stock options at an exercise price of \$1.00 to various employees and a consultant of the Company.

On March 12, 2020, the Board granted common shares for the 2019 fiscal year to certain individuals responsible for the current stage of development of TransCanna who are directors, key employees, or consultants totaling \$520,000, which indebtedness was settled by the issuance of 650,000 common shares which are subject to a hold period and may not be traded until July 7, 2020.

On April 30, 2020, the Company granted 400,000 options to a consultant of the Company at a price of \$0.75 for a period of three years.

On April 30, 2020, the Company entered into an agreement for the settlement of \$225,000 in debt through the issuance of common shares of the Company (the "Debt Settlements"). Pursuant to the Debt Settlement, the Company will issue a total of 300,000 common shares of the Company at a price of \$0.75 per. All securities will be subject to a four-month hold.

On May 8, 2020, the Company closed a non-brokered private placements with the issuance of 3,600,000 Units at a price of \$0.50 per Unit for gross proceeds of \$1,800,000. Each unit consists of one common share and one common share purchase warrant exercisable at a price \$0.75 per warrant for a period of two years.

The warrant includes an acceleration clause where if the share price on the Exchange is equal to or greater than \$1.25 for a period of 20 consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants, in which event the expiry date of the Warrants will be the date which is 30 days following the dissemination of a press release by the Company announcing the Accelerated Expiry Date.

On May 29, 2020, the Company reached a settlement agreement with a related party wherein they agreed to extinguish \$150,000 in debt owed to the Company in lieu of the party returning 250,000 common shares to the treasury.

On May 29, 2020, the Company pursuant to a mutual agreement with certain contractors and related parties, it will be returning 500,000 common shares to treasury.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.