TRANSCANNA HOLDINGS INC.

Consolidated Financial Statements

For the years ended November 30, 2021 and November 30, 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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 3, 2022

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

	Note		November 30, 2021		November 30, 2020
ASSETS					
CURRENT					
Cash		$	241,301	$	1,243,733
Accounts receivable	*7*		364,733		127,159
Prepaid expenses			33,890		45,922
Biological assets	*4*		237,694		434,984
Inventory	*5*		376,970		537,257
Due from related parties	*8*		-		117,978
TOTAL CURRENT ASSETS			1,254,588		2,507,033
Property, plant and equipment	*9*		23,666,738		22,257,891
Right-of-use asset	*11*		723,448		973,319
Intangible assets	*10*		-		733,155
TOTAL ASSETS		**$**	**25,644,774**	**$**	**26,471,398**
LIABILITIES AND EQUITY (DEFICIENCY)					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	*6, 8*	$	3,092,585	$	3,259,548
Current portion of convertible debt	*13*		1,326,975		-
Current portion of lease liabilities	*11*		219,296		193,763
Current portion of loans payable	*12, 8*		14,252,077		578,774
Due to related parties	*8*		544,644		284,066
TOTAL CURRENT LIABILITIES			19,435,577		4,316,151
Long-term portion of convertible debt	*13*		2,364,099		-
Long-term portion of lease liabilities	*11*		586,254		816,419
Long-term portion of loans payable	*12, 8*		-		12,000,367
TOTAL LIABILITIES			22,385,930		17,132,937
EQUITY (DEFICIENCY)					
Share capital	*14*		51,469,286		46,545,058
Reserves	*13, 15, 16*		9,601,117		7,596,616
Deficit			(58,355,128)		(45,262,470)
Accumulated other comprehensive income (loss)			543,569		459,257
TOTAL EQUITY (DEFICIENCY)			3,258,844		9,338,461
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		**$**	**25,644,774**	**$**	**26,471,398**

Operations of the Company and Going Concern (Note 1)
Commitments and contingencies (Note 18)
Subsequent Events (Note 24)

Approved on behalf of the Board of Directors on June 3, 2022

/s/ Stephanie Wesik	*/s/ Bob Blink*
Director	*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	***Note***		**November 30, 2021**		**November 30, 2020**
REVENUES					
Product revenue	*23*	$	3,827,432	$	6,266,850
Service revenue			171,569		690,486
Cost of finished cannabis inventory sold			(5,004,425)		(6,858,002)
GROSS MARGIN BEFORE FAIR VALUE ADJUSTMENTS		**$**	**(1,005,424)**	**$**	**99,334**
Realized gain (loss) in fair value of biological assets	*4*		88,483		-
Unrealized gain (loss) in fair value of biological assets	*4*		66,710		94,866
GROSS MARGIN		**$**	**(850,231)**	**$**	**194,200**
EXPENSES					
Amortization	*9, 10*		1,037,797		501,747
Bad debt expense			166,422		-
Selling, general and administrative expenses	*17*		8,406,454		10,030,700
TOTAL EXPENSES		**$**	**(9,610,673)**	**$**	**(10,532,447)**
LOSS BEFORE OTHER ITEMS			(10,460,904)		(10,338,247)
Accretion expense	*12, 13*		(630,921)		(659,272)
Change in fair value of convertible debt	*13*		(108,840)		-
Foreign exchange			(304,553)		(910,863)
Gain (loss) on debt modification	*12*		(464,303)		1,091,942
Gain (loss) on legal settlement			100,000		(67,535)
Gain (loss) on settlement of accounts payable	*14*		72,520		(445,175)
Impairment - Intangible asset	*10, 17*		(455,680)		(241,239)
Impairment - Goodwill	*10, 17*		-		(6,198,979)
Interest expense	*11, 12, 13*		(1,395,011)		(1,103,030)
Recovery (impairment) - Property, plant, and equipment	*8*		555,034		1,432,132
NET LOSS FOR THE YEAR BEFORE INCOME TAX		**$**	**(13,092,658)**	**$**	**(17,440,266)**
Income tax recovery	*20*		-		310,409
NET LOSS		**$**	**(13,092,658)**	**$**	**(17,129,857)**
OTHER COMPREHENSIVE INCOME (LOSS)					
(Items that may be subsequently reclassified to profit and loss)					
Foreign currency translation			84,312		577,264
COMPREHENSIVE LOSS FOR THE YEAR		$	(13,008,346)	$	(16,552,593)
Loss per share					
Basic and diluted		$	(0.23)	$	(0.39)
Weighted average shares outstanding, basic and diluted			56,357,016		43,763,994

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	Accumulated Other Comprehensive Income	Deficit	Total equity (deficiency)
Balance at November 30, 2019	**38,381,786**	**$ 38,465,541**	**$ 6,411,036**	**$ (118,007)**	**$ (28,132,613)**	**$ 16,625,957**
Shares issued for cash	5,438,000	2,810,900	-	-	-	2,810,900
Share issuance costs - cash refund	-	4,755	-	-	-	4,755
Share issuance costs - broker units	63,040	-	-	-	-	-
Shares issued upon exercise of warrants	1,908,750	2,121,279	(212,529)	-	-	1,908,750
Shares issued upon exercise of options	625,000	785,420	(296,920)	-	-	488,500
Shares for settlement of debt	1,800,504	2,255,806	-	-	-	2,255,806
Shares for services	400,000	376,000	-	-	-	376,000
Cancellation of shares	(750,000)	(274,643)	-	-	-	(274,643)
Warrants issued for cash	-	-	238,750	-	-	238,750
Share-based compensation	-	-	1,456,279	-	-	1,456,279
Foreign currency translation adjustments	-	-	-	577,264	-	577,264
Net loss for the year	-	-	-	-	(17,129,857)	(17,129,857)
Balance at November 30, 2020	**47,867,080**	**$ 46,545,058**	**$ 7,596,616**	**$ 459,257**	**$ (45,262,470)**	**$ 9,338,461**
Shares issued for cash	2,625,067	2,153,974	-	-	-	2,153,974
Share issuance costs - cash	-	(108,543)	-	-	-	(108,543)
Share issuance costs - broker units	23,600	-	-	-	-	-
Share issuance costs - broker warrants	-	(64,143)	64,143	-	-	-
Shares issued upon exercise of warrants	1,484,200	1,375,651	(43,750)	-	-	1,331,901
Shares issued upon exercise of options	450,000	705,785	(255,785)	-	-	450,000
Shares for settlement of debt	920,388	848,031	-	-	-	848,031
Shares for services	71,398	38,555	-	-	-	38,555
Issuance of convertible debt	-	-	29,697	-	-	29,697
Cancellation of shares	(37,131)	(25,082)	25,082	-	-	-
Warrants issued for cash	-	-	190,000	-	-	190,000
Share-based compensation	-	-	1,995,114	-	-	1,995,114
Other comprehensive income	-	-	-	84,312	-	84,312
Net loss for the year	-	-	-	-	(13,092,658)	(13,092,658)
Balance at November 30, 2021	**53,404,602**	**$ 51,469,286**	**$ 9,601,117**	**$ 543,569**	**$ (58,355,128)**	**$ 3,258,844**

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, 2021	November 30, 2020
OPERATING ACTIVITIES		
Net loss for the year	$ (13,092,658)	$ (17,129,857)
Items not affecting cash		
Accretion	630,921	659,272
Amortization	1,029,151	501,747
Change in fair value of biological assets	(66,710)	(94,866)
Change in fair value of convertible debt	108,840	-
Gain on legal settlement	(100,000)	-
Gain on settlement of accounts payable	(72,520)	445,175
Impairment - Intangible asset	455,680	241,239
Impairment - Inventory	138,300	172,950
Impairment - Goodwill	-	6,198,979
Income tax recovery	-	(310,409)
Interest expense	1,395,011	826,916
Loss on debt modification	464,303	(1,091,942)
Recovery (impairment) - Property, plant, and equipment	(555,034)	(1,432,132)
Share-based compensation	1,995,114	1,456,279
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	1,203,296	3,417,836
Accounts receivable	(237,574)	426,557
Biological assets	(946,010)	(95,851)
Inventory	1,199,711	(456,265)
Prepaid expenses	12,032	224,878
Due to/from related parties	378,556	232,358
CASH FLOWS USED IN OPERATING ACTIVITIES	(6,059,591)	(5,807,136)
FINANCING ACTIVITIES		
Payment of interest on convertible debt	(29,285)	-
Payment of interest on loans payable	(334,119)	(805,136)
Payment of lease liabilities	(183,318)	(172,215)
Proceeds from issuance of convertible debt	3,671,600	-
Proceeds from issuance of shares	2,153,974	2,810,900
Proceeds from issuance of warrants	190,000	238,750
Proceeds from exercise of options	450,000	488,500
Proceeds from exercise of warrants	1,331,900	1,908,750
Share issuance costs - cash	(108,543)	4,755
CASH FLOWS FROM FINANCING ACTIVITIES	7,142,209	4,474,304
INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(2,088,156)	(830,058)
Advances receivable	-	173,776
CASH FLOWS USED IN INVESTING ACTIVITIES	(2,088,156)	(656,282)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	3,106	113,314
Change in cash during the year	(1,002,432)	(1,875,800)
Cash, beginning of the year	1,243,733	3,119,533
CASH, END OF THE YEAR	$ 241,301	$ 1,243,733

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

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 $58,355,128 with a working capital deficiency of $18,180,989 as at November 30, 2021.

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 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, 2021 and 2020.

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on June 3, 2022.

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, 2021:

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

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.

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.

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 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
Computer hardware	3 years
Furniture and equipment	5 years
Vehicle	5 years
Building	40 years
Land	N/A
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 are not ready for use. 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.

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.

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.

	Estimated useful life
License	3 years
Brand	5 years

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 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 CGUs 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 it 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.

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

At the inception of a contract, the Company assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

• The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;

• The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and

• The Company has the right to direct the use of the asset.

The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the earlier of the end of the useful life or the lease term using either the straight-line or units-of-production method, depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company's estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the statement of loss if the carrying amount of the ROU asset has been reduced to zero.

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.

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.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

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's revenues are disaggregated as follows:

For the year ended	November 30, 2021	November 30, 2020
Retail	2,058,423	1,466,146
Wholesale flower	406,188	-
Third-party wholesale flower	1,319,009	4,800,704
Clones	24,340	-
Manufactured products	19,472	-
Service revenue	171,569	690,486
	$ 3,999,001	**$ 6,957,336**

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

Convertible debt

The identification of convertible debt components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement. The Company identifies the components embedded within these financial instruments to determine if they should be accounted for separately dependent on their nature as: a financial liability, a derivative, or an equity instrument.

The identification and determination of the accounting treatment of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. The separation of the components affects the initial recognition of the convertible debt at issuance and the subsequent recognition of interest on the liability component.

Where the conversion option has a fixed conversion rate, the financial liability component, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at the fair value of a similar liability that does not have an equity conversion option and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance and is not subsequently remeasured.

Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss while the principal amount of the loan is recognized as a financial liability, the present value of which is subsequently measured at fair value through profit and loss. The two amounts cumulatively represent the value of the instrument. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including contractual future cash flows, discount rates, credit spreads and volatility.

Transaction costs are apportioned to the debt liability and equity components in proportion to their initial respective carrying amounts. Any transaction costs incurred as part of the debt measured at fair value through profit and loss are immediately expensed as the instrument is presented at its fair value.

On conversion at maturity, the liability is reclassified to equity and no gain or loss is recognized.

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 18). 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

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as FVTPL. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition 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 under IFRS 9:

	November 30, 2021
Financial assets	
Cash	FVTPL
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Deposits	Amortized cost

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.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A financial liability is defined as any contractual obligation to deliver cash or another financial asset to another entity. The Company classified its financial liabilities as subsequently measured at amortized cost which include accounts payable and accrued liabilities, due to related parties, loans payable, convertible debt, and derivative liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

	November 30, 2021
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost
Convertible debt	Amortized cost & FVTPL

Future accounting policies not yet adopted

Standards issued but not effective up to the date of issuance of these Financial Statements are described below. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded. The Company will adopt these standards as they become effective.

Amendments to IAS 1 "Presentation of Financial Statements."

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments clarify the situations that are considered settlement of a liability. The new guidance will be effective for annual periods starting on or after January 1, 2023. The Company has determined that the amendments will not have a significant impact on its consolidated financial statements.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors."

In February 2021, the issued amendments to IAS 8 to introduce a new definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company has determined that the amendments will not have a significant impact on its consolidated financial statements.

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction."

In May 2021, the IASB issued amendments to IAS 12 to reduce diversity in the way that entities account for deferred tax on transactions and events, such as leases and decommissioning obligations, that lead to the initial recognition of both an asset and a liability. The amendment clarifies that the initial recognition exception does not apply to the initial recognition of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company has determined that the amendments will not have a significant impact on its consolidated financial statements.

Amendments to IAS 16 "Property, Plant and Equipment."

In June 2019, the IASB issued amendments to IAS 16 which prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any sales proceeds earned from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, such sales proceeds must be recognised in profit or loss. The amendment will also require an entity to identify and measure the cost of items produced before an item of PP&E is available for use, applying the existing measurement requirements of IAS 2 Inventories, not require additional specific presentation and disclosure requirements in relation to the sale of items that are part of the entity's ordinary activities, and will require additional disclosures in relation to the sale of items that are not part of an entity's ordinary activities. The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The Company has determined that the amendments will not have a significant impact on its consolidated financial statements.

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

In May 2021, the IASB issued amendments which specifies that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract." Costs that relate directly to a contract can be incremental or an allocation of other costs that relate directly to the fulfillment of the contract. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company has determined that the amendments will not have a significant impact on its consolidated financial statements.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

4. 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:

Biological assets		**November 30, 2021**		**November 30, 2020**
Carrying amount, beginning	**$**	**434,984**	**$**	**144,479**
Production costs capitalized		946,010		3,068,613
Transferred to inventories upon harvest		(1,199,711)		(2,859,270)
Changes in fair value less costs to sell due to biological transformation		66,710		94,866
Foreign exchange adjustments		(10,299)		(13,704)
Carrying amount, ending	**$**	**237,694**	**$**	**434,984**

Production costs include all costs associated with planting, maintaining, and harvesting the cannabis plants. Production costs are deferred in biological assets until the crops are harvested. The components of production costs for the years ended November 30, 2021, and 2020 are as follows:

Production costs		**November 30, 2021**		**November 30, 2020**
Direct labor	$	550,999	$	1,277,948
Fertilizers		8,230		8,678
Seeds and clones		38,045		144,820
Operational supplies		53,014		87,376
Selling, general, and administrative expenses		177,380		1,173,806
Crop costs before depreciation	**$**	**827,668**	**$**	**2,692,628**
Depreciation - Property, plant, and equipment		55,311		84,535
Depreciation - Intangible assets		40,410		108,308
Depreciation - Right of use assets		22,621		183,142
	$	**946,010**	**$**	**3,068,613**

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, 2021, was US$ 3.16 (2020 – US$ 6.89) per gram;

b. The stage of plant growth at which point of harvest is determined. As of November 30, 2021, the biological assets were on average 53% (2020 - 35%) completed;

(Amounts expressed in Canadian dollars, unless otherwise indicated)

c. Expected costs to grow were determined by estimating the Company's average cost per gram, which was $3.55 (2020- $6.38) per gram and equivalent gram of cannabis sold as of November 30, 2021; 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, 2021 was 68 grams (2020 - 53 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	3.16	$	185,271
Stage of growth		53%	$	60,820
Expected yield per plant in grams		68 gm	$	151,850

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.

5. INVENTORY

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

Work in progress	$	375,601
Finished goods		161,656
Carrying amount, November 30, 2020	**$**	**537,257**
Work in progress		162,051
Finished goods		214,919
Carrying amount, November 30, 2021	**$**	**376,970**

The inventory cost of work in progress includes the fair value of the cannabis plants harvested during the year, drying expenses, labour costs incurred during the processing stage, and depreciation on processing equipment.

During the year ended November 30, 2021, fair value of the harvested plants of $1,199,711 (2020 - $2,859,270) was transferred from biological assets to inventory (Note 4).

During the year ended November 30, 2021, inventory expensed to cost of goods sold was $5,004,425 (2020 - $6,858,002) including inventory impairment of $138,300 (2020 - $172,950).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		November 30, 2021		**November 30, 2020**
Trade payables	$	3,030,678	$	2,639,797
Accrued liabilities		61,907		619,751
	$	**3,092,585**	**$**	**3,259,548**

(Amounts expressed in Canadian dollars, unless otherwise indicated)

7. ACCOUNTS RECEIVABLE

		November 30, 2021		November 30, 2020
Sales tax receivable	$	79,219	$	89,564
Trade receivables		285,514		37,595
	$	**364,733**	**$**	**127,159**

8. 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, 2021, and November 30, 2020, are summarized in the table below:

		November 30, 2021		November 30, 2020
Salaries, benefits, and management fees	$	745,223	$	1,437,686
Equity-based compensation		1,129,395		1,203,341
	$	**1,874,618**	**$**	**2,641,027**

As at November 30, 2021, $535,017 (2020 - $979,214) is owed to related parties for salaries and benefits, $9,627 (2020 - $nil) owed to related parties for rent expense, and $nil (2018 - $117,978) receivable for advances for expenses.

As at November 30, 2021, included in loans payable is $2,071,791 (2020 - $2,101,817) owed to related parties for the acquisition of Lyfted.

As at November 30, 2021, included in convertible debt is $300,000 (2020 - $nil) owed to related parties.

During the year ended November 30, 2021, directors and officers participated in the private placements for total subscriptions of $30,000 (2020 - $537,500).

During the year ended November 30, 2021, directors and officers participated in the convertible debt financings for total subscriptions of $300,000 (2020 - $nil).

During the year ended November 30, 2021, the Company settled $413,034 (2020 - $520,000) in amounts owing to directors via the issuance of 397,147 (2020 – 650,000) shares.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer hardware	Furniture and equipment	Vehicle	Building	Land	Leasehold improvements	Total
Balance, November 30, 2019	**$ 50,820**	**$ 242,198**	**$ 120,758**	**$ 28,768,604**	**$ 1,619,305**	**$ 1,393,765**	**$ 32,195,450**
Additions	-	-	-	93,434	-	736,624	830,058
Foreign exchange adjustments	(111)	(2,338)	(2,693)	(399,749)	(36,111)	(24,237)	(465,239)
Balance, November 30, 2020	50,709	239,860	118,065	28,462,289	1,583,194	2,106,152	32,560,269
Additions	-	6,389	-	-	-	2,081,767	2,088,156
Foreign exchange adjustments	(75)	(3,480)	(1,820)	(292,140)	(24,400)	(32,461)	(354,376)
Carrying amount, November 30, 2021	**$ 50,634**	**$ 242,769**	**$ 116,245**	**$ 28,170,149**	**$ 1,558,794**	**$ 4,155,458**	**$ 34,294,049**

Accumulated amortization and impairment	Computer hardware	Furniture and equipment	Vehicle	Building	Land	Leasehold improvements	Total
Balance, November 30, 2019	**$ (21,968)**	**$ (88,373)**	**$ (22,417)**	**$ (10,843,416)**	**$ -**	**$ (306,723)**	**$ (11,282,897)**
Impairment reversal	-	-	-	1,432,132	-	-	1,432,132
Amortization	(11,901)	(49,575)	(24,450)	-	-	(266,982)	(352,908)
Foreign exchange adjustments	(52)	789	1,342	(95,501)	-	(5,283)	(98,705)
Balance, November 30, 2020	(33,921)	(137,159)	(45,525)	(9,506,785)	-	(578,988)	(10,302,378)
Impairment reversal	-	-	-	565,704	-	-	565,704
Amortization	(15,139)	(46,430)	(22,806)	(190,742)	-	(610,509)	(885,626)
Foreign exchange adjustments	(5)	1,210	264	(3,666)	-	(2,814)	(5,011)
Balance, November 30, 2021	**$ (49,065)**	**$ (182,379)**	**$ (68,067)**	**$ (9,135,489)**	**$ -**	**$ (1,192,311)**	**$ (10,627,311)**

Net book value, November 30, 2020	**$ 16,788**	**$ 102,701**	**$ 72,540**	**$ 18,955,504**	**$ 1,583,194**	**$ 1,527,164**	**$ 22,257,891**
Net book value, November 30, 2021	**$ 1,569**	**$ 60,390**	**$ 48,178**	**$ 19,034,660**	**$ 1,558,794**	**$ 2,963,147**	**$ 23,666,738**

During the year ended November 30, 2021, the Company determined there were indicators of impairment reversal in the carrying value of the Modesto facility. As at November 30, 2021 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. A reversal of impairment charge of $555,034 (2020 - $1,432,132) was recorded in the statement of comprehensive loss.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

10. INTANGIBLE ASSETS AND GOODWILL

Cost		License		Brand		Total intangibles		Goodwill
Balance, November 30, 2019	**$**	**460,495**	**$**	**848,440**	**$**	**1,308,935**	**$**	**6,068,526**
Foreign exchange adjustments		(6,300)		(10,621)		(16,921)		130,453
Balance, November 30, 2020		454,195		837,819		1,292,014		6,198,979
Foreign exchange adjustments		(7,000)		(8,480)		(15,480)		-
Carrying amount, November 30, 2021	**$**	**447,195**	**$**	**829,339**	**$**	**1,276,534**	**$**	**6,198,979**

Accumulated amortization and impairment		License		Brand		Total		Goodwill
Balance, November 30, 2019	**$**	**(5,514)**	**$**	**(27,074)**	**$**	**(32,588)**	**$**	**-**
Amortization		(113,977)		(211,874)		(325,851)		-
Impairment		-		(197,667)		(197,667)		(6,198,979)
Foreign exchange adjustments		(36,339)		33,586		(2,753)		-
Balance, November 30, 2020		(155,830)		(403,029)		(558,859)		(6,198,979)
Amortization		(146,250)		(106,310)		(252,560)		-
Impairment		(141,975)		(313,705)		(455,680)		-
Foreign exchange adjustments		(3,140)		(6,295)		(9,435)		-
Balance, November 30, 2021	**$**	**(447,195)**	**$**	**(829,339)**	**$**	**(1,276,534)**	**$**	**(6,198,979)**

Net book value, November 30, 2020	**$**	**298,365**	**$**	**434,790**	**$**	**733,155**	**$**	**-**
Net book value, November 30, 2021	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**

Major brands

The brand valued on the consolidated statement of financial position is the 'Lyfted' brand with a carrying amount of $319,735.

Impairment

During the year ended November 30, 2021, the Company impaired both its license and brand for a total of $455,680. The assets were reduced to their value in use by discounting future cash flows at a rate of 25%. These impairment losses are reported under "Other items" on the consolidated statements of comprehensive loss.

Management refers to its strategic plans to determine future cash flows. These strategic plans cover a period of five years. A 10% change in expected cash flows under these plans would change the recoverable amount by $51,581.

For subsequent years, a growth rate of 2.46% is used, in keeping with the expected industry growth rate. A 100-basis-point change in the growth rate would change the recoverable amount by $46,892.

The rate used to discount future cash flows was estimated at 25%. A 100-basis-point increase in the discount rate would result in an additional impairment of $440,132.

During the year ended November 30, 2020, the Company wrote down a number of brands to reflect their value in use of $nil due to management's change in strategy.

The 'SolDaze' brand was recognized upon the acquisition of Tres Ojos Naturals, LLC (Note 9) during the year ended November 30, 2019. The amount represents the sales and growth potential of the brand, was subject to amortization, and was evaluated for impairment annual or more often if events or circumstances indicated the presence of an impairment.

During the year ended November 30, 2020, the Company wrote down the value of the 'SolDaze' brand by $108,349 pursuant to management's assessment of their long-term strategy and the decision to pivot away from cannabis edibles entirely.

The 'Daly' brand was recognized during the year ended November 30, 2019 subject to a pending acquisition of the GoodFellas entity which would provide the Company with additional exposure to the wholesale bulk flower sales segment of the market. The value of the brand represented costs capitalized in the process of performing due diligence for the acquisition.

During the year ended November 30, 2020, the Company wrote down the value of the 'Daly' brand by $132,890 pursuant to management's assessment of their long-term strategy and the decision to focus on cultivation of Lyfted flower only.

These impairment losses are reported under "Other items" on the consolidated statements of comprehensive loss.

Goodwill from a business combination is allocated to CGUs or groups of CGUs expected to benefit from the business combination.

During the year ended November 30, 2020, the Company wrote down goodwill for a total of $6,198,979 to reflect a number of indications of impairment. The goodwill was reduced to its value in use by discounting future cash flows at a rate of 20%. These impairment losses are reported under "Other items" on the consolidated statements of comprehensive loss.

The impairment test for CGUs to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based primarily on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rate used.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Management refers to its strategic plans to determine future cash flows. These strategic plans cover a period of five years. A 10% decrease in expected cash flows under these plans would result in an additional impairment of $596,372.

For subsequent years, a growth rate of 1.17% is used, in keeping with the expected industry growth rate. A 100-basis-point decrease in the growth rate would result in an impairment reduction of $192,355.

The rate used to discount future cash flows was estimated at 20%. A 100-basis-point increase in the discount rate would result in an additional impairment of $62,926.

11. LEASES

The Company has lease agreements for its cultivation facilities that carry terms of 5 years with an option to renew on expiration.

Amounts recognized in the consolidated statement of financial position related to leases for which the Company is a lessee are presented below:

Set out below are the carrying amounts of the Company's right-of-use assets recognized and the movements during the year ended November 30, 2021.

Right-of-use assets		
Balance, November 30, 2019	**$**	**-**
Additions		1,177,713
Foreign exchange adjustments		(1,135)
Carrying amount, November 30, 2020	**$**	**1,176,578**
Modifications		(2,221)
Foreign exchange adjustments		(18,133)
Carrying amount, November 30, 2021	**$**	**1,156,224**

Accumulated amortization		
Balance, November 30, 2019	$	-
Amortization		(210,508)
Foreign exchange adjustments		7,249
Balance, November 30, 2020	**$**	**(203,259)**
Amortization		(228,261)
Foreign exchange adjustments		(1,256)
Balance, November 30, 2021	**$**	**(432,776)**

Net book value, November 30, 2020	**$**	**973,319**
Net book value, November 30, 2021	**$**	**723,448**

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Set out below are the carrying amounts of lease liabilities and the movements during the year ended November 30, 2021.

Lease liabilities		
Balance, November 30, 2019	**$**	**-**
Additions		1,177,713
Interest expense		125,500
Payments		(297,715)
Foreign exchange adjustments		4,684
Carrying amount, November 30, 2020	**$**	**1,010,182**
Interest expense		100,557
Payments		(283,876)
Modifications		(2,221)
Foreign exchange adjustments		(19,092)
Carrying amount, November 30, 2021	**$**	**805,550**
Less: Current portion		(219,296)
Long-term portion of lease liability	**$**	**586,254**

12. LOANS PAYABLE

Lyfted Note

On November 12, 2019, the Company acquired a 100% interest in Lyfted. Pursuant to the terms of the purchase, the Company provided a non-interest-bearing note payable (the 'Lyfted Note') for the amount with a face value $5,316,000 due June 30, 2020. This was present valued using a 17.5% discount rate 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).

Under the terms of the debt agreement if the loan was not converted to shares within 3 business days subsequent to June 30, 2020 the loan would be repayable at 15% of the gross revenue received 30 days subsequent to each quarter end. As the debt was not converted this resulted in a change of estimated cash flows and the debt is reported at the carrying value of the estimated future cash flows of all payments at amortized cost using the original discount rate of 17.5%. This resulted in a carrying value of the debt at November 30, 2020 of $3,487,612 and a gain on debt modification of $1,091,942.

As at November 30, 2021 the loan was considered to be in default which resulted in a change of the status of the debt to an on-demand current liability with a carrying value of the debt at November 31, 2021 of $4,408,065 and a loss on debt modification of $464,303.

The gain on debt modification is reported under "Other items" on the consolidated statements of comprehensive loss.

During the year ended November 30, 2021, the Company recognized accretion expense for the amount of $554,205 (2020 - $429,544).

Daly Note

During the year ended November 30, 2019, the Company, through its wholly owned subsidiary, Dalvi, entered into an agreement to purchase a 196,000 square foot facility in Modesto California for US$15,000,000 (CAD $20,100,000). The Company paid a US$250,000 deposit followed by a cash payment of US$8,000,000 (CAD

(Amounts expressed in Canadian dollars, unless otherwise indicated)

$10,700,000). The balance of US$6,750,000 (CAD $8,970,075) was financed by a promissory note (the 'Daly 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 US$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.

During the year ended November 30, 2020, the Company, through its wholly owned subsidiary, Dalvi, LLC entered into an Amendment Agreement to further extend the maturity date of the Promissory Note in the amount of US $6,750,000, previously issued by Dalvi with a maturity date of April 2020 to April 2022. Pursuant to the terms of the Agreement dated January 2, 2020, Dalvi agreed to pay an extension fee of $176,247 (US$135,000) as well as, increase the interest rate from 7% to 12% per annum.

During the year ended November 30, 2021, the Company, through its wholly owned subsidiary, Dalvi, LLC entered into an Amendment Agreement to capitalize accrued interest of $616,019 (US$ 491,400) to the principal of the note.

During the year ended November 30, 2021, the Company recorded interest expense for $1,079,793 (2020 - $1,078,817 capitalized) and accretion expense of $70,036 (2020 - $302,624 capitalized).

Loans payable		**Lyfted Note**		**Daly Note**		**Total**
Balance, November 30, 2019	**$**	**4,884,988**	**$**	**8,734,763**	**$**	**13,619,751**
Loans received		-		-		-
Loans and interest repaid		(649,595)		(628,889)		(1,278,484)
Loan extension fee		-		(176,247)		(176,247)
Interest expense		-		1,078,817		1,078,817
Accretion expense		429,544		302,624		732,168
(Gain) loss on debt modification		(1,091,942)		-		(1,091,942)
Foreign exchange adjustments		(85,383)		(219,534)		(304,917)
Balance, November 30, 2020	**$**	**3,487,612**	**$**	**9,091,534**	**$**	**12,579,146**
Loans received		-		-		-
Loans and interest repaid		(63,885)		(270,234)		(334,119)
Interest expense		-		1,079,793		1,079,793
Accretion expense		554,205		70,036		624,241
(Gain) loss on debt modification		464,303		-		464,303
Foreign exchange adjustments		(34,170)		(127,117)		(161,287)
Balance, November 30, 2021		4,408,065		9,844,012		14,252,077
Less: Current portion		(4,408,065)		(9,844,012)		(14,252,077)
Long-term portion of loans payable	**$**	**-**	**$**	**-**	**$**	**-**

13. CONVERTIBLE DEBT

March 2021

On March 24, 2021, the Company completed the offering of a secured convertible note ('March 2021') for an aggregate principal amount of US$ 2,000,000 ($CAD 2,518,020). The note can be exchanged into common shares at a conversion price of US$ 0.59 ($CAD 0.75). For the purposes of determining the number of common shares issuable upon conversion, the principal amount of the convertible notes surrendered for conversion shall be deemed converted from U.S. Dollars into Canadian Dollars, using the end-of day exchange rate published by the Bank of Canada on the data immediately preceding the date that the convertible note is surrendered for conversion. The convertible notes accrue simple interest at 10% per annum payable annually on each anniversary of the closing date of the transaction with the principal and any accrued interest payable in full on March 23, 2023. The note can be repaid in full or part in advance of the maturity date under a 125% early-payment penalty of the principal amount repaid.

The Company has designated these March 2021 convertible notes to be measured at fair value through profit or loss (FVTPL). At inception, the fair value of the instruments was measured at the transaction amounts.

As at November 30, 2021, the March 2021 liability was estimated based on a model that incorporated both Black-Scholes and the estimated borrowing rate, assuming a risk-free rate of 0.95%, a duration of 1.31 years, and based on the USD/CAD exchange rate of 0.78 on that date as having a fair value of $560,889. The debt host contract was estimated based on the Company's unsecured borrowing rate of 30.50%, a duration of 1.31 years, annual coupon payments of $251,560 resulting in a present value of $2,619,639.

September 2021

On September 14, 2021, the Company completed the offering of unsecured convertible notes ('September 2021') for an aggregate principal amount of $1,156,000. The note can be exchanged into common shares at a conversion price of $0.85. The convertible notes accrue simple interest at 12% per annum payable monthly with the principal and any accrued interest payable in full on September 14, 2022.

The Company used the residual method to allocate the liability and equity portions of the notes. The fair value of the liability was measured with the discounted cash flow method using a risk-adjusted discount rate of 15%. Upon initial recognition, the Company recorded a liability of $1,048,919 within other current liabilities in the consolidated statements of financial position and will be amortized over the 1-year term of the convertible notes with an effective accretion rate of 2.81%.

The residual amount of $32,019 was allocated to the equity component and presented net of $2,322 of transaction costs for a net value of $29,697 in the statement of changes in equity.

During the year ended November 30, 2021, the Company recognized accretion expense of $6,681, related to the convertible notes. During the year ended November 30, 2021, the fair value of the convertible debt decreased by $108,840 and is recorded in other expense in the consolidated statement of comprehensive loss.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Convertible debt	March 2021	September 2021	Total
Balance, November 30, 2020 and 2019	$ -	$ -	$ -
Loans received	2,515,600	1,156,000	3,671,600
Allocated to equity reserves, net of transaction costs	-	(32,019)	(32,019)
Transaction costs	-	(75,062)	(75,062)
Debt component	2,515,600	1,048,919	3,564,519
Amortization of transaction costs	-	15,835	15,835
Loans and interest repaid	-	(29,285)	(29,285)
Interest expense	171,867	29,285	201,152
Accretion expense	-	6,681	6,681
Change in fair value	(108,840)	-	(108,840)
Foreign exchange adjustments	41,012	-	41,012
Balance, November 30, 2021	2,619,639	1,071,435	3,691,074
Less: Current portion	(255,540)	(1,071,435)	(1,326,975)
Long-term portion of convertible debt	**$ 2,364,099**	**$ -**	**$ 2,364,099**

14. SHARE CAPITAL

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

During the year ended November 30, 2021, the Company:

- Issued 1,046,873 units as part of a brokered private placement at $0.55 for gross proceeds of $575,780. 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 $0.75 per share until December 3, 2023. As part of the financing, the Company paid finder's fees as follows:
  - 3,200 broker units valued at $1,760;
  - $42,543 in cash; and
  - 77,350 broker warrants valued at $42,543.
- Issued 1,578,194 units as part of a brokered private placement at $1.00 for gross proceeds of $1,578,194. 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 March 31, 2023. As part of the financing, the Company paid finder's fees as follows:
  - 20,400 broker units valued at $20,400;
  - $66,000 in cash; and
  - 21,600 broker warrants valued at $21,600.
- Issued 3,800,000 warrants for proceeds of $190,000.
- Issued 1,484,200 shares upon the exercise of warrants for proceeds of $1,331,900. The weighted average share price at the exercise dates was $0.89.
- Issued 450,000 shares upon the exercise of options for proceeds of $450,000. The weighted average share price at the exercise dates was $1.43.

- Issued 310,000 shares with a fair value of $170,500 for the extinguishment of $192,000 in outstanding debt and recognized a gain on debt settlement of $21,500.
- Issued 610,388 shares with a fair value of $677,531 for the extinguishment of $634,804 in outstanding debt to directors, officers, and employees of the Company and recognized a loss on debt settlement of $42,727.
- Issued 71,398 shares for services with a fair value of $38,555.
- Returned 37,131 shares to treasury pursuant to non-fulfillment of performance milestones as per prior agreements for consideration with a fair value of $25,082.

During the year ended November 30, 2020, the Company:

- Issued 3,600,000 units as part of a brokered private placement at $0.50 for gross proceeds of $1,800,000. 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 $0.75 per share until May 8, 2022.
- Issued 1,838,000 units as part of a brokered private placement at $0.55 for gross proceeds of 1,010,900. 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 $0.75 per share until November 18, 2022. As part of the financing, the Company paid finder's fees as follows:
    - 63,040 broker units valued at $34,672.
- Issued 4,725,000 warrants for proceeds of $238,750.
- Issued 1,908,750 shares upon the exercise of warrants for proceeds of $1,908,750.
- Issued 625,000 shares upon the exercise of options for proceeds of $488,500.
- Issued 600,000 shares with a fair value of $855,000 for the extinguishment of $480,000 in outstanding debt and recognized a loss on debt settlement of $375,000.
- Issued 550,504 shares with a fair value of $880,806 (US$500,000) as non-cash consideration for the promissory note owing to its wholly owned subsidiary and recognized a loss on debt settlement of $231,211.
- Issued 650,000 shares with a fair value of $520,000 for the extinguishment of $520,000 in outstanding debt to directors and officers of the Company.
- Issued 400,000 shares for services with a fair value of $376,000.
- Returned 500,000 shares to treasury pursuant to a settlement agreement for consideration with a fair value of $274,643.
- Returned 250,000 shares to treasury pursuant to a settlement agreement for consideration with a fair value of $nil.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

15. 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, 2019	**1,604,000**	**$**	**0.50**	**4.51**
Granted	1,578,333		0.92	1.69
Exercised	(625,000)		0.78	-
Expired	(310,000)		1.00	-
Balance, November 30, 2020	**2,247,333**	**$**	**1.04**	**3.12**
Granted	3,816,667		1.00	3.93
Exercised	(450,000)		1.00	-
Expired	(345,000)		1.03	-
Balance, November 30, 2021	**5,269,000**	**$**	**1.02**	**3.55**

As of November 30, 2021, outstanding and exercisable options to purchase common shares consisted of the following:

	Number of options outstanding	Number of options exercisable		Exercise price	Weighted average remaining life (in years)
January 20, 2019	50,000	50,000		1.37	0.14
January 20, 2019	169,000	169,000		1.37	0.14
November 6, 2019	625,000	625,000		1.00	2.94
November 6, 2019	200,000	200,000		1.00	2.94
February 18, 2020	518,333	518,333		1.00	3.22
December 1, 2020	300,000	300,000		1.00	4.01
January 19, 2021	600,000	600,000		1.00	1.14
January 19, 2021	558,333	558,333		1.00	4.14
July 9, 2021	1,060,000	1,060,000		1.00	4.61
July 9, 2021	688,334	344,167		1.00	4.61
July 9, 2021	400,000	100,000		1.00	4.61
July 9, 2021	100,000	25,000		1.00	4.61
	5,269,000	**4,549,833**	**$**	**1.02**	**3.55**

During the year ended November 30, 2021, the Company recorded share-based compensation of $1,995,114 (2020 - $1,051,320) with respect to 3,816,667 (2020 – 1,578,333) stock options granted. The weighted average fair value of these options was $0.67 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:

(Amounts expressed in Canadian dollars, unless otherwise indicated)

	November 30, 2021	November 30, 2020
Risk-free interest rate	0.17% - 1.34%	0.24% - 1.68%
Expected life	1 - 5 years	1 - 5 years
Annualized volatility	100.00%	142.30% - 168.30%
Dividend rate	0%	0%
Weighted average fair value per option	$ 0.61	$ 0.92

During the year ended November 30, 2021, the Company recorded share-based compensation of $nil (2020 - $393,709) with respect to the vesting of nil (2020 – 770,250) stock options granted in the prior year.

16. 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, 2019	**9,497,249**	**$ 2.72**	**1.23**
Granted	10,676,873	0.87	1.59
Exercised	(1,908,750)	1.00	-
Expired	(577,050)	1.00	-
Balance, November 30, 2020	**17,688,322**	**$ -**	**1.63**
Granted	6,857,617	0.95	1.37
Exercised	(1,484,200)	0.90	-
Balance, November 30, 2021	**23,061,739**	**$ 1.65**	**0.86**

As of November 30, 2021, outstanding equity-classified warrants to purchase common shares consisted of the following:

	Number of warrants	Exercise price	Weighted average remaining life (in years)
April 4, 2022	4,000,000	3.00	0.34
April 4, 2022	207,083	3.00	0.34
April 4, 2022	640,000	2.00	0.34
May 8, 2022	3,196,000	0.75	0.44
June 7, 2022	1,000,175	6.00	0.52
June 7, 2022	140,024	5.00	0.52
June 25, 2022	4,125,000	1.00	0.57
November 18, 2022	1,632,800	0.75	0.97
November 18, 2022	63,040	0.75	0.97
January 29, 2023	3,800,000	1.00	1.16
March 21, 2023	1,578,194	1.00	1.30
March 21, 2023	42,000	1.00	1.30
December 3, 2023	1,356,873	0.75	2.01
December 3, 2023	80,550	0.75	2.01
February 21, 2024	1,200,000	2.60	2.23
	23,061,739	**$ 1.65**	**0.86**

(Amounts expressed in Canadian dollars, unless otherwise indicated)

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

		November 30, 2021	November 30, 2020
Advertising and promotion		$ 199,239	$ 862,722
Consulting		535,562	2,023,583
Insurance		714,120	269,117
Investor relations		1,294,621	544,704
Legal fees		283,353	506,326
Management fees	*8*	78,268	3,932
Meals and entertainment		12,122	1,550
Office and miscellaneous		226,980	212,249
Professional fees		165,063	81,763
Regulatory and transfer fees		72,083	63,488
Rent and utilities		462,957	425,411
Repairs and maintenance		145,423	35,841
Salaries and benefits	*8*	1,882,448	3,283,178
Share-based compensation	*14, 15*	1,995,114	1,456,279
Taxes and licenses		277,966	228,936
Travel		61,135	31,621
Total selling, general and administrative expenses		**$ 8,406,454**	**$ 10,030,700**

18. COMMITMENTS AND CONTINGENCIES

Leases

The interest expense in the consolidated statements of comprehensive loss as at November 30, 2021 includes an amount of $100,557 (2020 - $125,500) applied against the right-of-use liability. The Company's total cash payments for its leases were $283,876 (2020 - $297,715) with principal payments of $183,318 (2020 - $128,223).

The total lease commitments are as follows:

2022	$ 299,067
2023	309,191
2024	319,720
2025	34,374
2026 and later	-
Total	**$ 962,352**

Maturities

Maturities on borrowings and lease liabilities (on a present value basis) are as follows:

As at November 30, 2021	Borrowings	Lease liabilities	TOTAL
Less than one year	$ 15,553,072	$ 299,067	$ 15,852,139
1 to 5 years	2,810,940	663,285	3,474,225
More than 5 years	-	-	-
Total	**$ 18,364,012**	**$ 962,352**	**$ 19,326,364**

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 June 29, 2021, the Company executed a general release and settlement agreement with Umbrella Capital Group, Ltd and Rok Consulting Inc.

19. 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, convertible debt, 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. The March 2021 convertible debt is measured at fair value based on level 2 inputs.

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 an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and accounts receivable. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. Accounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Accounts Receivable

Accounts receivable primarily consist of trade receivables and sales tax receivable. The Company provides credit to very limited customer base in the normal course of business and has established credit evaluation via an active direct consultation with its customers to mitigate credit risk. Accounts receivable are shown net of any provision made for impairment of receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses since the COVID-19 outbreak. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The Company's aging of trade receivables was as follows:

		November 30, 2021		November 30, 2020
0 - 30 days		245,555		15,611
31 - 60 days		45,446		-
61 - 90 days		17,287		14,337
91+ days		46,501		7,647
Total	**$**	**354,789**	**$**	**37,595**

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 21, 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 cash balances are held mainly in chequing accounts and therefore are exposed to minimal interest rate risk. Furthermore, the Company is not subject to interest rate risk with its debt as the only interest-bearing debt instrument is at a fixed rate.

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, 2021		November 30, 2020
Cash denominated in USD	$	222,186	$	493,944
Accounts receivable denominated in USD		285,514		37,595
Accounts payable and accrued liabilities denominated in USD		(2,622,346)		(2,325,013)
Loans denominated in USD		(14,252,077)		(12,579,141)
Total	$	(16,366,723)	$	(14,372,615)
Effect of a 10% change in exchange rates	$	(1,636,672)	$	(1,437,262)

(Amounts expressed in Canadian dollars, unless otherwise indicated)

20. INCOME TAXES

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

		November 30, 2021		November 30, 2020
Loss for the year before income tax	$	(13,092,658)	$	(17,440,266)
Statutory income tax rate		27%		27%
Expected income tax (recovery)		(3,535,000)		(4,709,000)
Change in statutory, foreign tax, foreign exchange rates and other		(993,000)		1,546,000
Permanent differences		540,000		556,000
Share issue cost		(463,000)		(463,000)
Expiry of non-capital losses		-		(310,409)
Change in unrecognized deductible temporary differences		4,451,000		3,071,000
Total income tax expense (recovery)	**$**	**-**	**$**	**(309,409)**

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

		November 30, 2021		November 30, 2020
Deferred tax assets:				
Property and equipment	$	4,000	$	6,000
Share issue costs		411,000		383,000
Non-capital losses available for future period		7,178,000		5,580,000
Unrecognized deferred tax assets		(7,593,000)		(5,969,000)
Net deferred tax liability (asset)	**$**	**-**	**$**	**-**

21. 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, 2021.

(Amounts expressed in Canadian dollars, unless otherwise indicated)

22. SUPPLEMENTAL CASH FLOW INFORMATION

		November 30, 2021		November 30, 2020
Cancellation of shares	$	(25,082)	$	274,643
Shares for settlement of debt		848,031		2,255,806
Share issuance costs - broker units		-		34,672
Share issuance costs - broker warrants		(64,143)		-
Shares issued for services		38,555		376,000
Shares issued upon exercise of options		255,785		296,920
Shares issued upon exercise of warrants		43,750		212,529
Interest expense on lease liabilities		100,557		125,500
Payments of lease liabilities		183,319		128,223

23. GEOGRAPHIC SEGMENTS

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

As at November 30, 2021		Canada		USA		TOTAL
Property, plant, and equipment	$	7,050	$	23,659,688	$	23,666,738
Intangible assets		-		-		-
Right-of-use asset		-		723,448		723,448
Total	**$**	**7,050**	**$**	**24,383,136**	**$**	**24,390,186**

As at November 30, 2020		Canada		USA		TOTAL
Property, plant, and equipment	$	23,445	$	22,234,446	$	22,257,891
Intangible assets		-		733,155		733,155
Right-of-use asset		-		973,319		973,319
Total	**$**	**23,445**	**$**	**23,940,920**	**$**	**23,964,365**

The following is revenue earned from external customers:

Year ended November 30, 2021		Canada		USA		TOTAL
Product revenue	$	-	$	3,827,432	$	3,827,432
Service revenue		-		171,569		171,569
Total	**$**	**-**	**$**	**3,999,001**	**$**	**3,999,001**

Year ended November 30, 2020		Canada		USA		TOTAL
Product revenue	$	-	$	6,266,850	$	6,266,850
Service revenue		-		690,486		690,486
Total	**$**	**-**	**$**	**6,957,336**	**$**	**6,957,336**

During the year ended November 30, 2021, the Company had one significant customer representing 14% (2020 – three customers representing 15%, 15%, and 13%) of total revenues earned by the Company, all of whom purchased within the USA segment (2020 – USA segment.

24. SUBSEQUENT EVENTS

On April 1, 2022, the Company closed its private placement with the issuance of 10,000,000 Units at $0.10 per Unit for gross proceeds of $1,000,000. 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 $0.15 per share until April 1, 2023.

As part of the offering, the Company paid finder's fees as follows:

- $28,350 in cash;
- 283,500 broker warrants with a fair value of $28,350.

On April 1, 2022, the Company issued 15,000,000 shares with a fair value of $2,200,000 for the extinguishment of CAD$ 1,500,000 (US$ 1,200,000) in outstanding debt to an officer of the Company and recognized a loss on debt settlement of $700,000.

On April 20, 2022, the Company experienced a break-in at its production facility and lost approximately $479,709 in finished goods inventory to theft. The Company is actively working with their insurance provider towards a resolution to their claim.